If calling please ask for: Democratic Services

7 October 2019

Wellington Regional Council

Order Paper for the meeting of the Wellington Regional Council to be held in the Council Chamber, Greater Wellington Regional Council, Level 2, 15 Walter Street, Te Aro, Wellington on:

Thursday, 10 October 2019 at 9.30am

Membership

Cr Laidlaw (Chair)

Cr Blakeley	Cr Brash
Cr Donaldson	Cr Gaylor
Cr Kedgley	Cr Laban
Cr Lamason	Cr McKinnon
Cr Ogden	Cr Ponter
Cr Staples	Cr Swain

Recommendations in reports are not to be construed as Council policy until adopted by Council

Wellington Regional Council

Order Paper for the meeting of the Wellington Regional Council to be held on Thursday, 10 October 2019 in the Council Chamber, Greater Wellington Regional Council, Level 2, 15 Walter Street, Te Aro, Wellington at 9.30am.

Public Business

Strategy/Policy/Major Issues

Public Excluded Business

greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

Please note that these minutes remain unconfirmed until the Council meeting on 10 October 2019.

Report 19.458
02/10/2019
File: CCAB-8-2517

Public minutes of the Council meeting held on Wednesday, 2 October 2019, in the Council Chamber, Greater Wellington Regional Council, Level 2, 15 Walter Street, Te Aro, Wellington, at 9.32am

Present

Councillors Laidlaw (Chair), Blakeley, Brash, Donaldson, Gaylor, Kedgley, Laban, Lamason, McKinnon, Ogden, Ponter, Staples.

Public Business

1 **Apologies**

Moved *(Cr Laidlaw/ Cr Staples)*

That the Council accepts the apology for absence from Cr Swain.

The motion was **CARRIED**.

2 **Declarations of conflict of interest**

There were no declarations of conflict of interest.

3 **Public participation**

Max Lutz, Chairman of the Friends of the Otaki River (FOTOR), spoke about the Ōtaki River projects and partnership with the Council. On behalf of FOTOR he thanked the Council and officers for their support over the triennium, and since FOTOR was established 20 years ago.

4 **Confirmation of the Public minutes of 18 September 2019**

Moved *(Cr Brash/ Cr Lamason)*

That the Council confirms the Public minutes of 18 September 2019, Report 19.440.

The motion was **CARRIED.**

5 **Confirmation of the Restricted Public Excluded minutes of 18 September 2019**

Moved *(Cr McKinnon/ Cr Blakeley)*

That the Council confirms the Restricted Public Excluded minutes of 18 September 2019, Report RPE19.442.

The motion was **CARRIED.**

6 **Confirmation of the Public minutes of the Te Upoko Taiao – Natural Resources Plan Committee of 13 September 2018**

Moved *(Cr Ponter/ Cr Laidlaw)*

That the Council confirms the Public minutes of the Te Upoko Taiao – Natural Resources Plan Committee of 13 September 2018, Report 18.404.

The motion was **CARRIED.**

7 **Confirmation of the Public minutes of the Te Upoko Taiao – Natural Resources Plan Committee of 11 December 2018**

Moved *(Cr Laidlaw/ Cr Ponter)*

That the Council confirms the Public minutes of the Te Upoko Taiao – Natural Resources Plan Committee of 11 December 2018, Report 18.603.

The motion was **CARRIED.**

8 **Confirmation of the Public minutes of the Te Upoko Taiao – Natural Resources Plan Committee of 11 June 2019**

Moved *(Cr Laidlaw/ Cr Ponter)*

That the Council confirms the Public minutes of the Te Upoko Taiao – Natural Resources Plan Committee of 11 June 2019, Report 19.250.

The motion was **CARRIED.**

9 **Confirmation of the Public minutes of the Chief Executive Employment Review Committee of 7 August 2019**

Moved *(Cr McKinnon/ Cr Laidlaw)*

That the Council confirms the Public minutes of the Chief Executive Employment Review Committee of 7 August 2019, Report 19.361.

The motion was **CARRIED.**

10 **Confirmation of the Public minutes of the Wairarapa Committee of 13 August 2019**

Moved *(Cr Staples/ Cr Donalson)*

That the Council confirms the Public minutes of the Wairarapa Committee of 13 August 2019, Report 19.363.

The motion was **CARRIED.**

11 **Confirmation of the Public Excluded minutes of the Wairarapa Committee of 13 August 2019**

Moved *(Cr Staples/ Cr Donaldson)*

That the Council confirms the Public Excluded minutes of the Wairarapa Committee of 13 August 2019, Report PE19.378.

The motion was **CARRIED.**

12 **Confirmation of the Public minutes of the Regional Transport Committee of 10 September 2019**

Moved *(Cr Donaldson/ Cr Laidlaw)*

That the Council confirms the Public minutes of the Regional Transport Committee of 10 September 2019, Report 19.403.

The motion was **CARRIED.**

13 **Confirmation of the Public minutes of the Wellington Regional Strategy Committee of 10 September 2019**

Moved *(Cr Blakeley/ Cr Laidlaw)*

That the Council confirms the Public minutes of the Wellington Regional Strategy Committee of 10 September 2019, Report 19.419.

The motion was **CARRIED.**

14 **Confirmation of the Public minutes of the Sustainable Transport Committee of 18 September 2019**

Moved *(Cr Donaldson/ Cr Ponter)*

That the Council confirms the Public minutes of the Sustainable Transport Committee of 18 September 2019, Report 19.426.

The motion was **CARRIED.**

15 **Confirmation of the Public minutes of the Environment Committee of 19 September 2019**

Moved *(Cr Kedgley/ Cr Brash)*

That the Council confirms the Public minutes of the Wellington Regional Strategy Committee of 19 September 2019, Report 19.434.

The motion was **CARRIED.**

16 **Confirmation of the Public minutes of the Finance, Risk and Assurance Committee of 24 September 2019**

Moved *(Cr Lamason/ Cr McKinnon)*

That the Council confirms the Public minutes of the Finance, Risk and Assurance Committee of 24 September 2019, Report 19.452.

The motion was **CARRIED.**

Strategy/Policy/Major Issues

17 **New draft Ara Tahi partnership model**

Pauline Hill, acting Te Pou Whakarae, introduced the report.

Report 19.447 File: CCAB-8-2488

Moved *(Cr Laidlaw/ Cr Blakeley)*

That the Council:

1. *Receives the new draft.*
2. *Notes the content of the new draft.*
3. *Notes the new draft Ara Tahi partnership model, endorsed by Ara Tahi, for consideration by the incoming Council (Attachment 1).*

The motion was **CARRIED.**

Noted: Cr Gaylor left the meeting at 10.07am during the debate on the above item.

18 **Final Coastal Erosion Plan for Queen Elizabeth Park**

Alistair Cross, General Manager, Environment Management, spoke to the report.

Report 19.456 File: CCAB-8-2459

Moved *(Cr Gaylor/ Cr Kedgley)*

That the Council:

1. *Receives the report.*
2. *Notes the content of the report.*
3. *Approves the final Coastal Erosion Plan for Queen Elizabeth Park.*

The motion was **CARRIED.**

Noted: Cr Gaylor returned to the meeting at 10.09am during questions on the above item.

19 **Minor changes to GWRC Regional Pest Management Plan 2019-39**

Report 19.414 File: CCAB-8-2508

Moved *(Cr Brash/ Cr Staples)*

That the Council:

1. *Receives the written report.*
2. *Resolves that the Council is satisfied that amendments to the Regional Pest Management Plan 2019-2039 to include Te Reo titles and make the minor corrections as set out in Attachment 1:*
   a. *Do not have a significant effect on any person's rights and obligations; and*
   b. *Are not inconsistent with the national policy direction.*
3. *Resolves that the Regional Pest Management Plan 2019-39 be amended as set out in Attachment 2.*

The motion was **CARRIED.**

20 **Advertising on buses – opportunity to generate additional revenue**

Greg Pollock, General Manager, Public Transport, spoke to the report.

Report 19.455 File: CCAB-8-2506

Moved *(Cr Donaldson/ Cr Laidlaw)*

That the Council:

1. *Receives the report.*
2. *Notes the content of the report.*
3. *Agrees to conduct a trial of advertising on selected buses as set out at section 4 of this report.*

The motion was **CARRIED.**

Noted: Cr Kedgley requested that her vote against the above motion be recorded.

The meeting adjourned at 10.49am and resumed at 11.07am.

21 **GWRC Review of Regional Economic Development**

Luke Troy, General Manager, Strategy, spoke to the report.

Report 19.448 File: CCAB-8-2489

Moved *(Cr Laidlaw/ Cr Blakeley)*

That the Council:

1. *Receives the report.*
2. *Notes the content of the report.*
3. *Recommends to the incoming Council that:*
   a. *There is a need for change to the current arrangements for regional economic development; and*
   b. *Members not be appointed to the WRS Committee in the new triennium and that consultation be undertaken with the territorial authorities on alternative governance, management and funding arrangements for regional economic development in line with the proposals in Attachment 1; and*
   c. *Consideration be given to the establishment of a regional forum or joint committee with a wider membership and wider mandate than just regional economic development, including guiding the Regional Growth Framework project and subsequent implementation;*

d. *The Council requests the Chief Executive to report back on the options for establishing an internal economic development unit within Greater Wellington by December 2019.*

The motion was taken in parts. Parts 1 and 2 were put and were **CARRIED.** Part 3a was put and was **CARRIED**. Part 3b was put and was **CARRIED.** Part 3c was put and was **CARRIED.** Part 3d was put and was **CARRIED.**

22 **End of triennium matters**

Francis Ryan, Manager, Democratic Services, spoke to the report.

Report 19.430 File: CCAB-8-2473

Moved *(Cr Donaldson/ Cr Brash)*

1. *Receives the report.*
2. *Notes the content of the report.*
3. *Authorises the Chief Executive to act on any emergency matters arising from the time the present Council and its committees are discharged until the members of the new Council make their declarations.*
4. *Instructs the Chief Executive to report any such matters to the incoming Council at the first appropriate opportunity.*
5. *Notes that the Council has previously resolved that the Wellington Regional Strategy Committee, Te Upoko Taiao – Natural Resources Plan Committee, Te Awarua-o-Porirua Committee and Wellington Water Committee shall not be deemed to be discharged on the coming into office of the members elected at the 2019 triennial general election of the Council.*
6. *Notes that the Wellington Civil Defence Emergency Management Group is not able to be discharged on the coming into office of the members elected at the 2019 triennial general election of the Council.*
7. *Notes that Ara Tahi, Waiohine FMP Steering Group, Ruamahanga Whaitua Committee, and Whaitua Te Whanganui-a-Tara Committee remain in existence until their respective purposes and functions have been completed.*

The motion was **CARRIED.**

Councillors McKinnon, Kedgley and Laidlaw gave valedictory speeches, reflecting on their time serving on the Council.

Councillors Donaldson and Staples each recited a poem.

23 **Exclusion of the public**

Report 19.453 File: CCAB-8-2493

Moved *(Cr Lamason/ Cr Staples)*

1. *That the Council:*

   Excludes the public from the following part of the proceedings of this meeting, namely:

   1. *Confirmation of the Public Excluded minutes of 18 September 2019*
   2. *Confirmation of the Public Excluded minutes of the Sustainable Transport Committee of 18 September 2019*
   3. *Business Case for Long Distance Rolling Stock*
   4. *Strategic land purchase – Waikanae*
   5. *Land purchase – Paremata*
   6. *Confirmation of the Restricted Public Excluded minutes of the Chief Executive Employment Review Committee meeting of 7 August 2019*

The general subject of each matter to be considered while the public is excluded, the reasons for passing this resolution in relation to each matter and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 (the Act) for the passing of this resolution are as follows:

	General subject of each matter to be considered:	***Reason for passing this resolution in relation to each matter***	***Ground under section 48(1) for the passing of this resolution***
1.	*Confirmation of the Public Excluded minutes of the Council meeting of 18 September 2019*	*The information contained in these minutes relates to information provided by third parties that is the subject of the negotiation of documents related to a proposed change of ownership consent, and bus service procurement and contracting in the Wellington Region. Having this part of the meeting open to the public would disadvantage the Council in the negotiations as it would reveal information on the Council's negotiation strategy. The Council has not been able to identify a public interest favouring disclosure of this particular information in public proceedings of the meeting that would override this prejudice.*	*That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 7(2)(b)(ii), (c)(i), (i) and/or (j) of the Act.*
2.	*Confirmation of the Public Excluded*	*The information contained in these minutes relates to future bus*	*That the public conduct of the whole or the relevant part of the*

	minutes of the Sustainable Transport Committee of 18 September 2019	*service procurement and contracting in the Wellington Region, public transport support for Round the Bays 2020 and legal advice obtained in relation to options available to GWRC for securing land for public transport purposes. Release of this information would be likely to prejudice or disadvantage the ability of Greater Wellington Regional Council (GWRC) to carry on negotiations with bus operators and/or other suppliers of future fleet for the Metlink public transport network; would be likely to prejudice or disadvantage the ability of Greater Wellington Regional Council (GWRC) to carry on negotiations with event organisers regarding the level of support (if any) to be provided; and would be likely to prejudice the maintenance of legal professional privilege. GWRC has not been able to identify a public interest favouring disclosure of this particular information in public proceedings of the meeting that would override the need to withhold the information.*	*proceedings of the meeting would be likely to result in the disclosure of information which good reason for withholding exists under section 7(2)(i) of the Act (i.e. to carry out negotiations without prejudice) and section 7(2)(g) of the Act (i.e. to maintain legal professional privilege).*
3.	*Business Case for Long Distance Rolling Stock Fleet capacity and renewal*	*Certain information contained in this report relates to future rail service procurement and contracting in the Wellington Region. Release of this information would be likely to prejudice or disadvantage the ability of Greater Wellington Regional Council (GWRC) to carry on negotiations with potential suppliers of rolling stock for the Metlink public transport network. GWRC has not been able to identify a public interest favouring disclosure of this particular information in public proceedings of the meeting that*	*That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information which the Council would have good reason for withholding under sections 7(2)(b)(ii), (i) and/or (j) of that Act.*

	would override the need to withhold the information	
4. *Strategic land purchase - Waikanae*	*The information contained in this report relates to a proposed land purchase upon terms and conditions that are yet to be negotiated and agreed. Having this part of the meeting open to the public would disadvantage Greater Wellington Regional Council in its negotiations as it would reveal Greater Wellington Regional Council's negotiation strategy. Greater Wellington Regional Council has not been able to identify a public interest favouring disclosure of this information in public proceedings of the meeting that would override this prejudice.*	*That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 7(2)(i) of the Act (i.e. to carry out negotiations without prejudice).*
5. *Land purchase – Paremata*	*The information contained in this report relates to a proposed purchase of land upon terms and conditions that are yet to be finalised. Having this part of the meeting open to the public would disadvantage GWRC in its negotiations as it would reveal GWRC's negotiation strategy. GWRC has not been able to identify a public interest favouring disclosure of this information in public proceedings of the meeting that would override this prejudice.*	*That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 7(2)(i) of the Act (i.e. to carry out negotiations without prejudice).*
6. *Restricted Public Excluded minutes of the Chief Executive Employment Review Committee meeting of 7 August 2019*	*These minutes contain information relating to the current Chief Executive's full year performance review and remuneration review. Release of this information would prejudice the privacy of Greg Campbell, Chief Executive, by disclosing information pertaining to the employment relationship between the Chief Executive and the Council. Greater Wellington*	*That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under sections 7(2)(a) of the Act (i.e. to protect the privacy of natural persons).*

Regional Council has not been able to identify a public interest favouring disclosure of this particular information in public proceedings of the meeting that would override his privacy.

This resolution is made in reliance on section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as specified above.

The motion was **CARRIED**.

The public part of the meeting closed at 12.20pm.

Cr C Laidlaw
(Chair)

Date:

Please note that these minutes remain unconfirmed until the Council meeting on 10 October 2019.

The matters referred to in these minutes were considered by the Council on 2 October 2019 in restricted public excluded business. These minutes do not require confidentiality and may be considered in the public part of the meeting.

Report RPE19.464
2/10/2019
File: CCAB-8-2546

Restricted Public Excluded minutes of the Council meeting held on Wednesday, 2 October 2019 in the Council Chamber, Greater Wellington Regional Council, Level 2, 15 Walter Street, Te Aro, Wellington, at 1.26pm.

Present

Councillors Laidlaw (Chair), Blakeley, Brash, Donaldson, Gaylor, Kedgley, Laban, Lamason, McKinnon, Ogden, and Staples.

Restricted Public Excluded Business

1 **Confirmation of the Restricted Public Excluded minutes of the Chief Executive Employment Review Committee of 7 August 2019**

Moved *(Cr Laidlaw/ Cr McKinnon)*

That the Council confirms the Restricted Public Excluded minutes of the Chief Executive Employment Review Committee of 7 August 2019, Report 19.362.

The motion was **CARRIED.**

The Restricted Public Excluded part of the meeting closed at 1.27pm.

Cr C Laidlaw
(Chair)
Date:

greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

Report	**19.418**
Date	3 October 2019
File	CCAB-8-2545
Committee	**Council**
Author	**Tracy Plane – Strategic and Corporate Planning Manager** **Alan Bird – Chief Financial Officer**

Annual Report 2018/19

1. Purpose

For Council to adopt Greater Wellington Regional Council's (GWRC) Annual Report and Summary Annual Report for the year ended 30 June 2019.

2. Consideration by committee

The matters contained in this report have been considered by the Finance, Risk and Assurance Committee (the Committee) at its meeting on 24 September 2019. Officers have made all the changes to the Annual Report arising from the Committee's consideration of these matters, including additional reference to the significant achievement of two Whaitua reports, improving consistency of the way the non-financial performance measures are referenced, and providing additional assurance around te reo translations.

The Committee noted that they did not have complete information from Audit NZ at that stage in the audit process to be able to make an unqualified recommendation to Council. Therefore the Committee recommended that Council adopts the Annual Report after considering all relevant information from Audit NZ and following changes required once the audit process has been completed.

3. Background

Under the Local Government Act 2002 the Council must prepare and adopt in respect of each financial year an annual report and a summary annual report within four months after the end of the financial year to which it relates.

The Annual Report reports against the Long Term Plan 2018-28 on the achievement of financial and non-financial performance measures, and includes the audited financial statements for the Council and its subsidiaries, reported as a group.

Jacques Coetzee, Associate Audit Director, from Audit New Zealand will be in attendance at the Council meeting on 10 October 2019 to summarise the results of the annual audit and to answer any questions that Council may have.

Audit New Zealand will issue its audit opinion at the Council meeting on 10 October for adoption as part of the Annual Report.

Technical proof-reading and design of the Annual Report and Summary will be carried out following issue of the audit opinion.

4. Financial performance

There are no material variances in the Council's financial performance for the year ended 30 June 2019 from that reported to the Committee on 24 September 2019.

Revenue for the year was $389m compared to the annual plan budget of $394m. The key variance relates lower transport improvement grants received ($13m) as a result of lower capital expenditure with public transport due to the focus on and allocation of resources to operational issues.

The operating deficit was $3m compared to the annual plan budget of a surplus of $12.5m. Excluding the lower revenue in relation to transport improvement grants ($13m) the operating variance was $2.5m. This represents 0.6% of total operating costs.

Refer note 34 of the draft Annual Report (**Attachment 1**) for explanations to major variances between the actual and budget numbers.

5. Non-financial performance

The Annual Report compares Greater Wellington's performance against the key programmes and projects, and performance measures as outlined in the Long Term Plan 2018-28.

Overall Greater Wellington achieved 46 out of 65 (71%) of the performance measures outlined in the Long Term Plan 2018-28. The Summary Annual Report (**Attachment 2**) provides further context relating to our non-financial performance, looking at 'our year in review'.

Of those performance measures not achieved, 12 related to the Public Transport activity. Non-achievement of these targets was largely related to the launch of the new Wellington City bus network. Included in this total was reporting on three additional results for a single LTP performance measure, at Audit New Zealand's request. These three results are alternative calculations for the 'punctuality of bus services' measure, and all delivered below the original performance measure target set.

6. Reserves

The actual reserve balance as at 30 June 2019 as compared to the Long Term Plan 2018 -2018 is set out in **Attachment 3**.

7. Communication

A press release has been prepared for distribution following the Council meeting that the Annual Report 2018/19 was adopted on 10 October 2018.

The Council is required within one month of adoption of the Annual Report, to make the report and a summary report available to the public. Limited hard copies of the full Annual Report will be produced, however the Summary Annual Report will be produced in larger numbers and distributed throughout the region.

Key stories in the Annual Report will be promoted through social media.

8. Consideration of climate change

The matters addressed in this report are of a procedural nature, and there is no need to conduct a climate change assessment.

9. The decision-making process and significance

The matters requiring decision in this report have been considered by officers against the requirements of Part 6 of the Local Government Act 2002 (the Act). Part 6 sets out the obligations of local authorities in relation to the making of decisions.

9.1 Significance of the decision

Officers have considered the significance of the matter, taking into account the Council's significance and engagement policy and decision-making guidelines. Officers recommend that the matter be considered to have medium significance.

In accordance with section 98 of the LGA, the Council is required to formally adopt the Annual Report within four months after the end of the financial year to which it relates.

Officers do not consider that a formal record outlining consideration of the decision-making process is required in this instance.

9.2 Engagement

In accordance with the significance and engagement policy, officers determined that no engagement on the matters for decision is required.

10. Recommendations

That the Council:

1. ***Receives** the report.*

2. ***Notes** the content of the report.*

3. ***Adopts** the Annual Report and Summary Annual Report for the year ended 30 June 2019.*

4. ***Authorises** the Chief Executive to make minor changes that may arise as part of finalising the audited Annual Report and Summary Annual Report for the year ended 30 June 2019*

Report prepared by:	Report prepared by:	Report approved by:	Report approved by:
Tracy Plane Manager, Strategic & Corporate Planning	**Alan Bird** Chief Financial Officer	**Luke Troy** General Manager, Strategy	**Samantha Gain** General Manager, Corporate Services

Report approved by:

Greg Campbell
Chief Executive

Attachment 1: GWRC Annual Report 2018/19
Attachment 2: GWRC Summary Annual Report 2018/19
Attachment 3: Reserve balance as at 30 June 2019 as compared to the Long Term Plan

Attachment 1 to Report 19.418

Greater Wellington Regional Council

Pūrongo ā Tau 2018/19
Annual Report 2018/19

Inside Cover

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Auditors
Audit New Zealand on behalf of the Auditor-General

Bankers
ANZ Bank New Zealand Limited

Treasury advisers
PwC New Zealand

Kōrero whakataki a te Heamana | Chair’s foreword

In the context of the solid work produced by Greater Wellington over the year, there’s little doubt that the most high profile issue – and for many people the most important – was the launch of the region’s new bus network.

We encountered scheduling, capacity and workforce-related issues that undermined service and generated fiercely negative, and largely justified, public feedback. But it should be noted that such an ambitious and difficult plan was never going to proceed without issues. I strongly believe the way we responded was a mark of the willingness of Greater Wellington to work with the community to “get it right”. There will be more to come as we progressively translate community expectations into services.

It’s important, however, to re-state why we did what we did. The network was increasingly becoming unfit for service. Journey travel times were blowing out due to traffic and bus congestion, particularly along the Golden Mile. Low patronage and duplicated routes were costly and diverted capacity away from routes with high demand. Significant population growth, particularly in northern suburbs, needed bus services to manage the flow of private vehicles into Wellington City.

Difficult though the experience was, I am confident that we are on course to do the right thing for Wellington and frankly, with some modification, we would do it again.

At Greater Wellington we’ve also heard the rising chorus of concern from the community on climate change and we’ve redoubled our efforts to address the issues it poses. Our focus has been to work with regional partners to build shared understanding of the regional impact of climate change, an essential pre-cursor to far-reaching decisions that will have to be made in the future.

We therefore worked closely with other councils to complete the Wellington Region Natural Hazards Management Strategy, which provides a policy framework through which to address, among other things, climate change hazards such as sea level rise and coastal erosion. To help our communities understand their impact we also produced an online Sea Level Rise Mapping Tool and a major report on coastal communities’ vulnerability to climate change.

While slightly out of our reporting period, we also made plain our determination to address climate change through declaring both a climate change emergency and signalling an agenda of initiatives to address it.

Climate change, of course, knows no boundaries. We have worked very closely with other councils through the Wellington Region Climate Change Working Group, a process I believe will intensify in the year head as we begin to understand and respond to climate change challenges.

While the importance of freshwater to our wellbeing is obvious, as a nation we are guilty of taking it for granted to the point of almost wilful neglect. The consequences of the Havelock North contamination have been significant, with the Government’s policy now focussing firmly on water quality management, with the underlying premise that we have to do better.

We agree and after 10 years of development, we released the latest stage of our Proposed Natural Resources Plan, which provides a blueprint for the positive management of our natural resources.

Much of its emphasis is on protecting and enhancing water quality, and its approach is reinforced by a broad range of non-regulatory support from our Land Management service which actively works with the rural community to help manage erosion, stock access and other factors that undermine water quality. There is little doubt that the future will see tougher standards applied both by our Whaitua committees and by the Government to water quality, an approach we as a regional council will support.

I am particularly pleased that we made great progress on two other aspects of positive environmental management. Biosecurity leads to biodiversity, and we made significant strides on both, releasing the Wellington Regional Pest Management Plan 2019-39, a biosecurity framework which identifies animal and plant pests and sets out long term strategies for their prevention, eradication and management.

We also established the Collaborative Working Group, a partnership between Greater Wellington, mana whenua, the Department of Conservation and a range of representative community leaders. Its purpose is to look closely at how, as a region, we can best support thriving biodiversity through aligned agencies and community leadership. Both of these initiatives lay the ground for sustainable biodiversity gains.

When we look back in a decade or so, I believe the past year will be regarded as a watershed for New Zealand, the point at which the nation finally started to face up to the significant environmental challenges that lie ahead. Greater Wellington should be proud for the role it has played.

Chris Laidlaw

Kōrero whakataki a te Pou Whakahaere | Chief Executive's foreword

This year felt like the most challenging in the history of the Council. Looking back, it was almost like two parallel universes running alongside each other, within one organisation. On the one hand buses and, on the other, everything else.

July's transition to the new bus network, alongside a wide range of changes, did not go smoothly and our customers were directly and significantly impacted. There are many reflections on what we might have done differently to avoid the impacts experienced by our customers. We simply did too much at once.

The systemic drivers of what happened were deeper. We aimed for cost neutrality, which effectively forced rationalisation of services, with some customers gaining much needed services and others losing the comfort that duplication in the old network provided.

Despite years of work, we never seemed to truly achieve deep community engagement with the changes and what they would mean for customers - until launch.

Finally, we didn't fully appreciate all the social connections between different parts of Wellington city.

There are still areas of poor performance. We know where they are and what needs to be done to fix them. Our bus network review will look at any necessary adjustments to the network design.

We are working with operators, unions, other regional councils and the Minister for Transport to fully implement rest and meal break legislation changes over the next year. We have invested in a career campaign with operators to attract, recruit and retain drivers in light of the ongoing nationwide driver shortages. We are working with Wellington City Council on bus priority measures across the city to ease congestion and to make travel times more consistent. None of these are quick fixes but we will resolve them over time with our partners.

Looking forward, we have now delivered sweeping positive changes, including many more services, better connections, free transfers, concessions, new buses including electric double-deckers and one payment card across all operators.

These changes are now paying dividends as we see patronage lift strongly. Annual passenger boardings on buses were 24.7 million passengers in June 2019, growth of over 4 per cent year on year across the region. In Wellington city growth was 5.2 per cent year on year. This has also been our busiest year yet for our regional rail network, with an all-time patronage high of 14.3 million passenger journeys, which is 800,000 more than the previous year.

Outside of public transport, we made some extraordinary breakthroughs across many aspects of our operations, some unthinkable a year ago.

We helped usher in Let's Get Wellington Moving, which will help move more people with fewer vehicles, support the city and region's growth, and make it safer and easier to get around. We established a joint programme with five partners to land agreement on a new site for a new multi-user ferry terminal.

Our ambitious Natural Resources Plan was put to the public. It is designed to protect and enhance our regional environment and is the culmination of a decade of work.

This past year also saw the completion of the implementation programmes for Ruamāhanga Whaitua and Te Awarua-o-Porirua Whaitua, and the introduction of Whaitua te Whanganui-a-Tara, the third of our community-led collaborative processes to improve the health of our land and waterways. This committee works with stakeholder organisations, mana whenua and local communities to improve the health of the waterways in the Te Whanganui-a-Tara catchment, which extends from Upper Hutt in the north, Wellington City in the south, Wainuiomata in the east and Makara in the west.

We also charted our way towards a zero carbon target and declaring a climate emergency amid increasing concerns and calls for immediate action on climate change.

We introduced our Regional Pest Management Plan 2019-39 which will keep biodiversity thriving in our region and remove 17 pest plants and 12 pest animals from our region.

With the help of volunteers, school children, corporate groups and with the coordination of our park rangers, we planted 50,000 native trees in our regional parks against our original aim of 35,000. We've invested enormously in regional park infrastructure over the years with a big focus on improving accessibility and over all visitor experience. We have seen a steady increase in park visitors and a survey this year revealed 74 per cent of participants had visited a major regional park or forest in the past 12 months, with 97 per cent satisfaction levels.

Water is a huge part of our work and managing flood risks from the 2,333km of rivers and 19,365km of streams that flow across our region takes constant monitoring and planning. We were able to continue our joined up approach to Riverlink with our partners in the Hutt region while central government funding emerges.

Greater Wellington has provided leadership and has acted as a catalyst for progress across a range of intensely complex programmes. With this comes a great deal of scrutiny, and rightly so.

A report by the Office of the Ombudsman praised Greater Wellington's "strong culture of openness" in proactively releasing, and dealing with requests for, official information. The report specifically cites how our GW Way supports our open culture.

I am proud of the culture of transparency that exists at Greater Wellington, the dedication of all of our staff and am I pleased to present this report on what we have achieved over the past year.

Greg Campbell

He karere nā te Heamana o Ara Tahi | Message from the Chair of Ara Tahi

As kaitiaki and mana whenua of the region, our traditional practice of kaitiakitanga has developed from centuries of observation and experience from which our knowledge and cultural practice is based. This knowledge handed down from our ancestors is based on ensuring that our footsteps in the environment have a positive influence for our future generations.

Since 1993, mana whenua of the region and council have committed to a partnership with the Council that recognises our dual roles in the management of the region along with our responsibility to plan wisely for the future. Our Memorandum of Partnership commits us to working together and to embed our respective knowledge bases to achieve the best outcome for the region.

Over 2018/2019, our partnership with the Council has achieved the following:

- Matāuranga Māori experts providing technical expertise into key work programmes of council
- Funding of iwi projects
- Review and repositioning of our partnership forum Ara Tahi
- Whaitua implementation planning and delivery
- Working in partnership at all levels – Ara Tahi, Te Upoko Taiao and ensured Māori representatives are appointed to standing committees of Council
- Influencing and embedding our cultural heritage and values through policy, strategy, and Council's programmes of work
- Continuing to work alongside council to ensure that tāngata whenua values and aspirations are embedded across all of the Council's work programmes
- Leading the establishment of a regional strategy for the Māori economy

We recognise the genuine desire of Council to continuously improve opportunities for mana whenua across all areas of its operations and will continue to support this through Ara Tahi, our collective partnership forum of mana whenua and council. In the coming years, we will be working to foster Māori economic opportunities within our district, and to continuously embed matāuranga Māori. We will also look for opportunities to nationally showcase our partnership with the Council.

Looking back over the past 25 years of partnership, much has achieved between the Council and the six mana whenua. We are focused on the future and that means reviewing the partnership to ensure that it meets our collective needs for the next 25 years.

In August 2018, Ara Tahi and Councillors agreed that for Ara Tahi its existing arrangements had served their purpose and it was time to re-position the relationship for the future. Subsequently, following a series of Ara Tahi and Councillors' workshops, a number of options emerged. A new draft model has been created which incorporates the best aspects from the preferred approaches for consideration by the incoming Council. Ara Tahi considers the new draft model strengthens the collective roles and responsibilities of Ara Tahi in proposing they transition to a new council committee inside GW. This enables Ara Tahi to have more direct influence on regional strategic decision making. Ara Tahi looks forward to discussing this with the incoming Council.

Me huri whakamuri, ka titiro whakamua
Utilising our past to inform our future

Mahinarangi Hakaraia

NOTE: This message will also be translated into te reo Māori

Ko te Wāhi ki a Mātou | Our place in your world

95% vistor satisfaction with their **park experience**

1.84 million visits to a regional park

Patronage across the **Metlink network** increased by over **4%**

Rail passenger journeys **800,000** more than the previous year

Bus boardings were 24.7 million passengers, a **4%** increase across the region

Over **50,000** trees planted across the parks network

320,000 cubic metres of gravel extracted from regional river systems

13,400 willow poles were planted to strengthen river buffers and **12,400 native plants**

125 schools representing **33,762** students participated in the active travel initiative **Movin'March**

Pedal Ready, the first provider in the country delivering the Bike Ready programme, helped **6,800 children and adults** to become safer cyclists

The **Miramar Eradication Project** was assessed as "**gold standard**" at the annual meeting of Predator Free 2050

Ko ngā Hua mō te Hapori | Community outcomes

We work to constantly improve the region to ensure it's a place where people want to live and thrive. Our community outcomes reflect the ambition and energy of the people who choose to live here.

We're involved in providing many of the often unseen and unsung services that people take for granted, but which underpin the quality of life in the region. We aspire to improve the overall well-being of the region and align our work to five community outcomes to achieve this.

Outcome	What does that mean?
Strong economy	*A thriving and diverse economy supported by high quality infrastructure that retains and grows businesses and employment*
Connected community	*People are able to move around the region efficiently and our communications networks are effective and accessible.*
Resilient community	*A community that plans for the future, adapts to change and is prepared for emergencies*
Healthy environment	*An environment with clean air, fresh water, healthy soils and diverse ecosystems that supports community needs.*
Engaged community	*An engaged community that takes pride in our region, values our urban and rural landscapes, and enjoys our amenities and choice of lifestyles.*

[te reo translation] | Partnering with mana whenua

There are six iwi who are mana whenua in our region and who have kaitiaki roles and responsibilities over the land, waterways, animals and birds in their respective rohe.

Greater Wellington has established and maintains relationships with the six mana whenua, who are:

- Ngāti Kahungunu ki Wairarapa (represented by Ngāti Kahungunu ki Wairarapa Charitable Trust)
- Taranaki Whānui ki te Upoko o te Ika (represented by the Port Nicholson Block Settlement Trust)
- Ngāti Toa Rangatira (represented by Te Rūnanga o Toa Rangatira Inc)
- Te ĀtiAwa ki Whakarongotai (represented by Ātiawa ki Whakarongotai Charitable Trust)
- Ngāti Raukawa ki te Tonga (represented by Ngā Hapū ō Ōtaki)
- Rangitāne o Wairarapa (represented by Rangitāne o Wairarapa Inc)

He āta titiro ki ētahi o ā mātou mahi | Putting a spotlight on some of the things we do

PREPARING FOR CLIMATE RESILIENCE

Our changing climate is the biggest environmental challenge we are facing - and it affects everyone.

Climate change is already affecting ecosystems and communities around the world. Globally these changes include increasingly frequent and severe storms, floods and droughts; melting polar ice sheets; sea level rise, coastal inundation and erosion; and impacts on biodiversity including species loss.

We all have an important role to play in planning and preparing for climate change because impacts will be felt across city, district and regional boundaries. From the increased frequency and intensity of droughts in the Wairarapa, more frequent coastal flooding and storm damage due to sea level rise in many places like Kāpiti, Porirua and Wellington city, and to increased intensity of rain storms and flooding in Hutt Valley, the impacts will be different across the region. Therefore, it's critical for local government organisations and our communities to work together to strengthen and build on all our efforts.

During the past year, we worked closely with all councils in the region to complete the Wellington Region Natural Hazards Management Strategy. The purpose of the strategy is to help create a region resilient to the impacts from natural hazards. It provides a framework and consistent policy response that will support us to resolve difficult hazard issues such as sea level rise, coastal erosion, landslide and liquefaction.

MAPPING SEA LEVEL RISE

Our identity is tied to the coast. Along our region's 500km of coastline, a considerable amount of building and development has occurred within a few metres above sea level. This makes us vulnerable to one of the biggest impacts resulting from climate change - sea level rise.

To help our communities understand how rising seas might affect places important to them, we developed an interactive Sea Level Rise Mapping Tool. This online tool is a dynamic map of areas in the region that might be affected by sea level rise and storm surges. It provides long-term insights into environmental changes so that individuals, business owners, communities and councils can make decisions when planning for the future.

Check out the Sea Level Rise Mapping Tool at https://mapping1.gw.govt.nz/GW/SLR/

"It is certain that the sea is rising and will continue to do so for centuries to come. But how much is uncertain – how rapidly it will rise, how different coastal areas will be affected, and how much we should prepare."

The Parliamentary Commissioner for the Environment, 2015

OUR VULNERABLE COMMUNITIES

To identify our most vulnerable communities, we conducted a regional coastal vulnerability assessment. Released in August 2019, the report is called Preparing Coastal Communities for Climate Change: Assessing coastal vulnerability to climate change, sea level rise and natural hazards[1]. This report tells us the location of our most environmentally, socially and culturally vulnerable places likely to be affected by climate change. It doesn't only look at our buildings and roads; it also considers the impacts on other things we value, such as our natural environment, culturally significant sites and our more vulnerable people. This will help us prioritise where we start the challenging and unsettling conversations with our region's communities about how we're going to address these impacts together.

CLEANING UP OUR EMISSIONS

Over the past year we have continued to play our part in curbing our carbon emissions. We've continued to expand our electric vehicle fleet and we collaborated with other local government agencies and electricity network providers to develop the Wellington Region Electric Vehicle Support Strategy. This strategy has a long-term vision to limit global warming by using renewable energy to replace fossil fuels in road transport. We've also built a regional carbon calculator[2] which is an interactive tool to help us visualise how our actions affect our greenhouse gas emissions and understand what changes are needed to transition to a low carbon region.

Reducing our carbon footprint is another important action we are taking. We have signed up with the CEMARS[3] emissions management and reduction scheme so you know that we're following best practice to clean up our emissions. We look forward to our first verified report next year. We've also joined many cities and regions around the world by enrolling with the international Carbon Disclosure Project[4]. This is a voluntary reporting system to help us identify our exposure to climate-related risks. This will allow us to be targeted and transparent in the ways we can reduce these risks.

We will continue to work hard with our staff, partners, stakeholders, communities and the other councils to reduce emissions and increase our collective resilience to climate change.

[1] www.gw.govt.nz/assets/Uploads/Wellington-Regional-Coastal-Vulnerability-AssessmentJune-2019Final.pdf
[2] gwrc.2050calculator.nz/
[3] Certified Emissions Measurement and Reduction Scheme
[4] www.cdp.net

WAIRARAPA MOANA WETLAND

Restoring our treasured wetlands

It takes a village to restore a wetland – collaboration is the key to bring back Wairarapa Moana.

According to Māori mythology, Maui caught a great fish from the ocean which became Te Upoko o Te Ika a Maui, the 'Head of the Fish of Maui', or the Wellington Region. Wellington Harbour and Lake Wairarapa are referred to as Ngā Whatu o te Ika Maui, the eyes of the fish. Lake Wairarapa is the largest lake in our region, and together with Lake Ōnoke and the surrounding wetlands, make up the area known as Wairarapa Moana.

Wairarapa Moana is the largest wetland in the lower North Island and is of huge cultural and ecological importance. In the past, Māori valued it for its massive supply of tuna (native freshwater eels) and other mahinga kai (traditional food gathering) species. The variety of habitats means that Wairarapa Moana is home to a diverse range of flora and fauna, including many threatened species such as the giant kōkopu and the matuku also known as the Australasian bittern.

WAIRARAPA MOANA WETLANDS PROJECT

A number of organisations are invested in this special place. By working together, we can achieve much more than working independently. We collaborate with other partner organisations on the **Wairarapa Moana Wetlands Project**. They are:

- Kahungunu ki Wairarapa
- Rangitāne o Wairarapa
- Papawai Marae
- Kohunui Marae
- South Wairarapa District Council
- Department of Conservation

The Project began in 2008 as a way for all of the partners to pool our resources and expertise. The Project works with the local community to enhance the ecological, recreational and cultural values in the area.

As part of our contribution to the Wairarapa Moana Wetlands Project we provide funding for community groups around Wairarapa Moana who are working hard to restore the area.

South Wairarapa Biodiversity Group coordinates a restoration project at Ōkorewa Lagoon, near Lake Ferry. This year, 50 volunteers planted about 1600 native grasses and rushes around the lagoon. The work that South Wairarapa Biodiversity Group and other community groups do is vital to increase the habitat available for our native species.

People of all ages are involved in projects at Wairarapa Moana. We fund **Mountains to Sea Wellington** to deliver freshwater education programmes to schools in the area. During last year, we delivered programmes to 70 students from three classes. As part of this programme, students from St Teresa's School in Featherston have adopted a stretch of Donald's Creek to look after. They've carried out scientific monitoring, presented to councillors, and prepared their plans for the area.

THE MYSTERIES OF THE MOANA

In February 2019, we held the 'Mysteries of the Moana' event on the shores of Lake Wairarapa. Around 200 people congregated at Lake Domain to learn more about the significance of the area. Nine organisations set up stalls with interactive displays, and attendees followed a mystery trail of clues to learn about the fish, birds, plants and history of Wairarapa Moana.

Monitoring the health of the wetland is an essential part of restoring it. At the Mysteries of the Moana, the fifth annual kākahi (freshwater mussels) count was held and 30 volunteers took part. The kākahi count is a citizen science programme that monitors our freshwater mussels.

Kākahi are filter-feeders and help improve water quality in wetlands by removing sediment and algae from the water. However, the species is in decline across the country and we're concerned that the population in Lake Wairarapa might be growing old, and young kākahi aren't coming through to replace them. Monitoring the status and health of the kākahi population helps us understand the health of the wider ecosystem and can measure the progress of our restoration activities. The kākahi count programme has been so successful that it's inspired other community groups around New Zealand to start monitoring their local kākahi populations.

HEALTHY WETLANDS, HEALTHY REGION

Our work at Wairarapa Moana is part of a wider set of programmes that aim to support indigenous biodiversity to flourish in the region. Not only do healthy ecosystems provide homes for our native plants and animals, they can also support our regions resilience to climate change. For example, a healthy wetland acts like a sponge. During a flood, the wetland can absorb and slow down floodwaters and during a drought they store water. Their ability to store and hold water will become increasingly important as the frequency and intensity of rainfall and drought events are predicted to increase.

The mahi (work) to restore the health and vitality of Wairarapa Moana means more opportunities for people to connect with nature. Restoration work means people get to spend time in and around the water, seeing and enjoying our unique and very special native plants and animals. The work we're all doing brings people together to ensure current and future generations can enjoy all that the Moana has to offer.

RETURNING OUR NATURE TO LIFE – A PREDATOR FREE FUTURE

Every night while you sleep, an estimated 68,000 native birds are killed by introduced predators.

Imagine waking up every morning to choirs of kererū congregating on kōwhai trees and fantails dancing with the ferns in your backyard. To achieve a capital city flourishing native wildlife, we need less possums, rats, stoats or weasels and more tui, kākā, kākāriki and geckos – and we can't do this alone.

Predator Free Wellington is a decade-long project that aims to make Wellington city free of rats, possums, stoats and weasels.

It also connects a network of households, community groups and organisations from across Wellington city, with the aim to make our capital city the first predator-free capital in the world. Along with Wellington City Council, NEXT Foundation, and Predator Free 2050 Ltd, we've been lending our technical expertise and experience ever since Predator Free Wellington began.

IT'S A TEAM EFFORT

The project closely aligns to one of our four principles for biodiversity in the region – *Working with others*. As set out in the Greater Wellington Regional Pest Management Plan 2019-2039, working with people inside and outside of Greater Wellington Regional Council is important to make our dream of a predator-free region a reality.

Stage one is one of the biggest urban eradication operations in the country. It is focused on removing every last rat, stoat and weasel from Miramar Peninsula. Miramar Peninsula was chosen as the first area to carry out the eradication operation because its geography makes it easier to defend and the community has already made a huge dent in predator populations. Plus, the Peninsula is already possum-free thanks to a joint eradication effort we did with Wellington City Council in 2006. Predator Free Miramar Peninsula is a volunteer community group who have been carrying out carrying out backyard trapping on the Peninsula over the past few years. In the past year alone, they have trapped 2,949 rats, 10 stoats, 174 hedgehogs and 2,937 mice!

KNOW YOUR ENEMY

It's important to understand what's going on in a place before we do work there. Monitoring is like a mini-census – it gives us a rough idea of the population levels of the target species, such as rats. Our Environmental Science and Biosecurity teams carry out region-wide monitoring every year as part of what we do at Greater Wellington, and monitoring has been happening in Miramar Peninsula for some time. Knowing this information helped us gauge the success of the trapping work the volunteers have already done.

In March this year, our Environmental Science team designed and led a monitoring effort to understand pest numbers on the Peninsula before stage one began. This involved laying out chew cards at 259 points across the Peninsula to survey rat populations. The chew marks on each card were analysed to estimate rat populations.

And the news was good! The results of the monitoring showed that backyard trapping on the Peninsula has clearly made a difference. The number of rats in urban areas reduced by 78 per cent compared to monitoring carried out in 2018 in the same areas. The survey also helped us identify the best locations on the Peninsula for trapping rats. Almost half (45 per cent) of the rats were found in the coastal zone, the most in any zone. This shows the importance of the whole network in eradicating pests and preventing them from hiding out in fringe areas. Additionally, a study of rats in pipes was also completed. Rats could have been using the pipe system like a subway to move around Miramar, however, no rats were detected in the pipe systems.

This year was also the second year of systematic bird monitoring across the Peninsula. The results are impressive, and have involved a whole other host of activities including:

- Identifying and mapping all rat food sources
- Reviewing detailed waste/rubbish movements and collection information
- Conducting a biosecurity investigation which analysed pathways and mitigation options
- Building a biosecurity plan into the eradication operational plan
- Identifying all groups and community interests within the Peninsula.

MIRAMAR 2019

From January to June this year, the community liaison team went door-knocking on households, schools, community centres and businesses around Miramar Peninsula. They spoke with people about how they could be involved in the eradication operation and also sought homeowners' permission to host traps and bait stations on their properties (for free, of course!). The response from the community was very positive. Almost 3,000 households and businesses will host a bait station or trap on their property and local peanut butter makers Fix & Fogg have donated over 200kg of peanut butter to use as a lure.

By the time this Annual Report is published, stage one will be well underway. Our team will use wide variety of methods, including toxins, in order to rid the Peninsula of rats, stoats and weasels in one go. From July, we will be placing approximately 6,000 bait stations on a 50m x 50m grid and traps on a 100m x 100m grid across the entire Peninsula. This is within the home range of every rat, and means they have a really high chance of coming across one of these devices. This massive network of traps and bait stations will be checked by our team weekly.

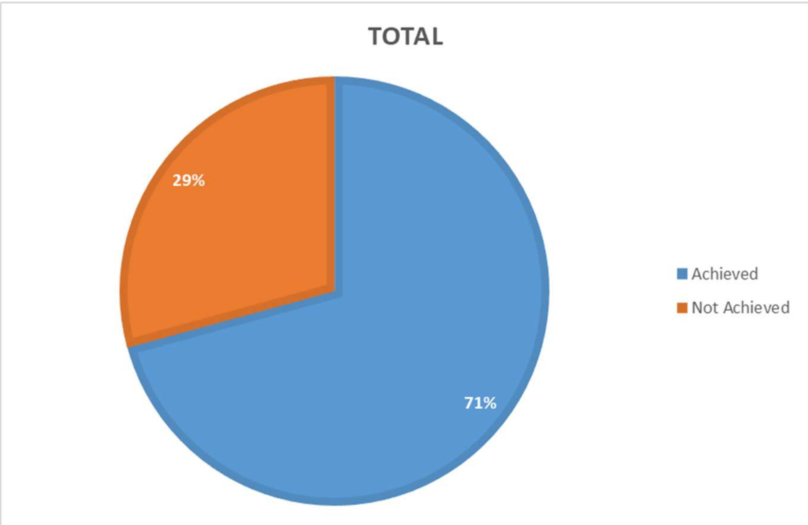
This method is similar to the method used when possums were eradicated in 2006. We are using brodifacoum as our preferred bait, which will be carefully placed in locked bait stations and if pets ingest it, there is an easy antidote available. The larger the operation at this stage, the lower the chance of us having to return and use more toxins or traps on an ongoing basis. The overall goal is to be officially predator-free by December this year but monitoring will continue into next year to ensure every last rat, stoat and weasel has been caught.

It has taken three years, many planning documents, numerous site visits, and a great deal of hard work to get to this stage. We are very proud to be involved with and support what will be a real achievement for the Miramar community and for our native wildlife.

He tiro whānui i ngā mahi i tutuki i a mātou/ Overview of our performance

Reaching our non-financial performance targets

Greater Wellington has reported on a total of 65 annual performance targets across the range of activities delivered. As shown in the below graph, Greater Wellington achieved a total of 71% (46) of these performance targets during the 2018/19 year.



The targets 'not achieved' during 2018/19 were largely associated with the Public Transport activity and many related to the introduction of a new Wellington City bus network in July 2018. In Public Transport we delivered below target against measures relating to:

- rail and bus users satisfaction with their trip
- annual public transport boardings per capita
- reliability of scheduled bus and rail services delivered as a measure of reliability
- punctuality of scheduled bus and rail services[5]
- user satisfaction with Metlink information about delays and disruptions
- average condition of all bus shelters maintained by Metlink
- user satisfaction with the subsidised taxi service to customers who are unable to use buses or trains

Further information on Metlink Public Transport performance can be found on page 55.

[5] In reporting against the single LTP measure for punctuality of bus services, we have provided four different calculations of the result (and therefore counted it as four measures). This has been done to provide complete transparency of performance around punctuality.

Seven other targets were ‘not achieved’ across our other activities, as outlined below:

- Harbour Management navigation aids operations and Beacon Hill Communications Station operations were both slightly below the 100% target.
- Biodiversity management actions to improve the habitat of native plants and animals were not completely achieved at three sites.
- Rates of compliance against resource consents for high-risk activities were lower than target, but an improvement on previous performance.
- The Lower Wairarapa Valley Development Scheme work programme is slightly behind completion target.
- The number of published Community Response Plans (CRP’s) is slightly below target.
- The water supply target for addressing demand except in a drought with a severity of greater than or equal to 1 in 50 years is at risk and a resolution under investigation.

Financial overview of our performance

This overview provides a summary of the major aspects of our financial management and results for the 2018/2019 year.

We have produced this overview to give Greater Wellington region residents a snapshot of our finances. Full details are provided later in the report, including financial statements and the costs of providing Services for each activity, comparing what was spent with what was budgeted.

Greater Wellington continued to focus on enhancing its financial management and sound financial position, performing strongly in managing operating costs.

Greater Wellington's overall operating deficit, excluding capital grants, was held to $2.5 million more than budgeted. This represents just 0.6% of Greater Wellington's total overall operating costs. While there were a number of operational issues within public transport, the operating result was only slightly below the budget. In other activities there have been a number of contributing factors, many of which have had an offsetting effect. The two with the largest impacts relate to:

- Costs associated with the RiverLink project, which were incurred through the purchase of land and the planned demolition and removal of unused buildings to make way for the Hutt River project.
- Investments in our core Information, Communication and Technology (ICT) systems including a review of the core financial and asset management systems.

The reported year-end operating deficit before other items and tax of $3 million (including capital grants) was $15.5m unfavourable to budget. The primary driver of this was lower transport improvement grants and subsidies of $13 million reflecting lower than budgeted capital expenditure in the year due to the focus on and allocation of resources to operational issues.

An ambitious programme of activity for many projects that were dependent on third parties also made for challenging completion deadlines.

Overall investments across the business totalled $82 million, including funding toward Metlink's rail network.

$388.6 million
revenue from rates, grants & other sources

$391.6 million
costs of running the Greater Wellington region

$28.7 million
net deficit after tax for 2018/19

$5.24
costs of delivering all Council services per rating unit per day

$1.7 billion
of total assets managed by GWRC

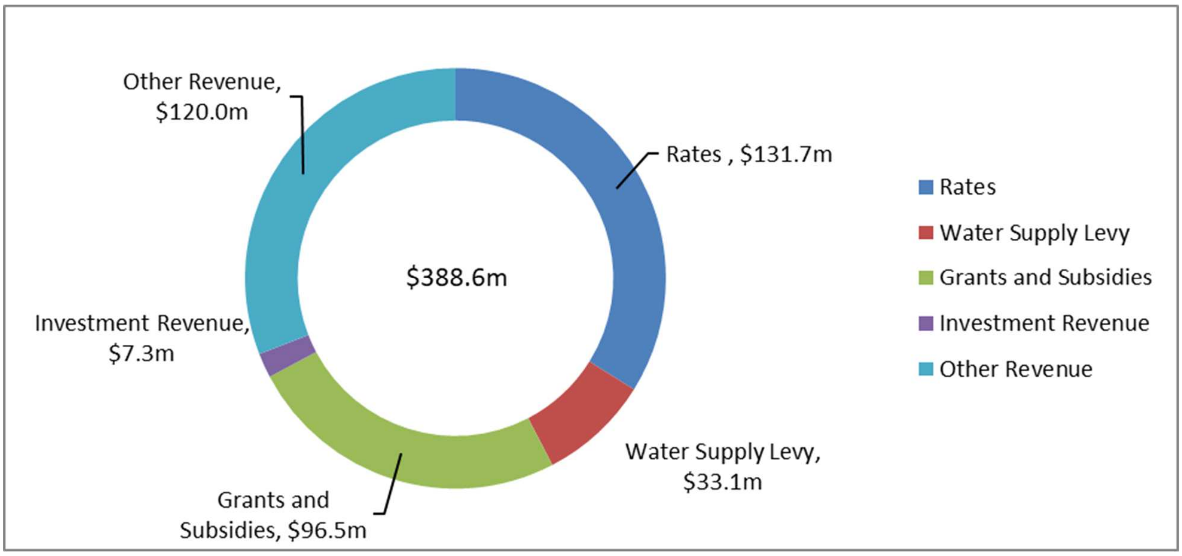
$467.5 million
borrowing position at the end of 2018/19

$ 81.9 million
capital spend for 2018/19

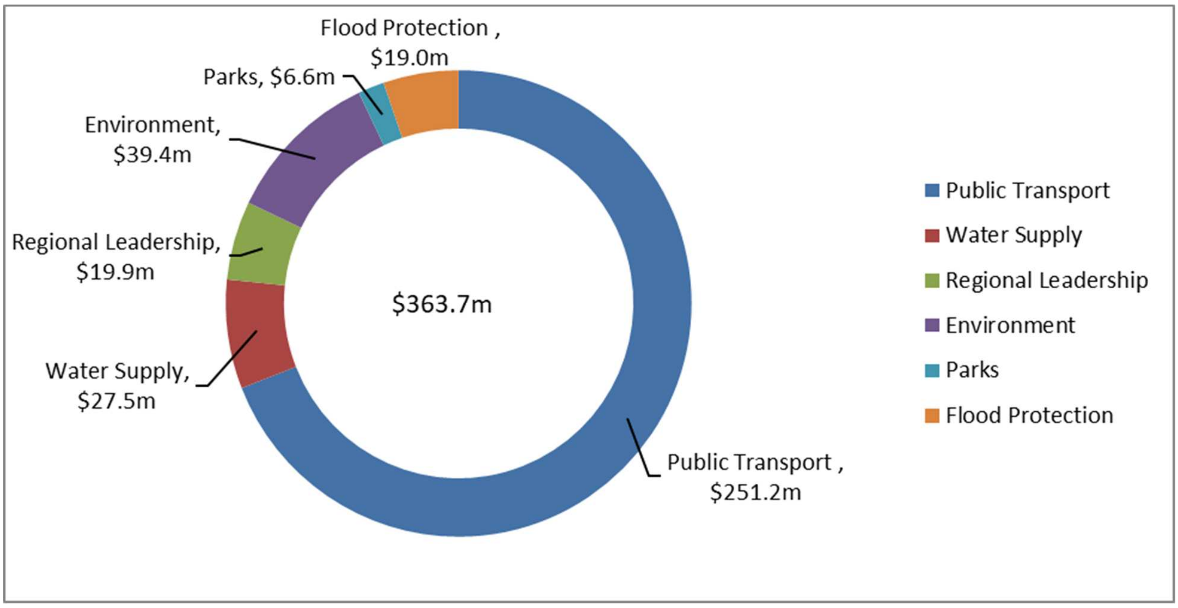
AA credit rating
with Standard & Poor indicating good financial health

Financial Summary

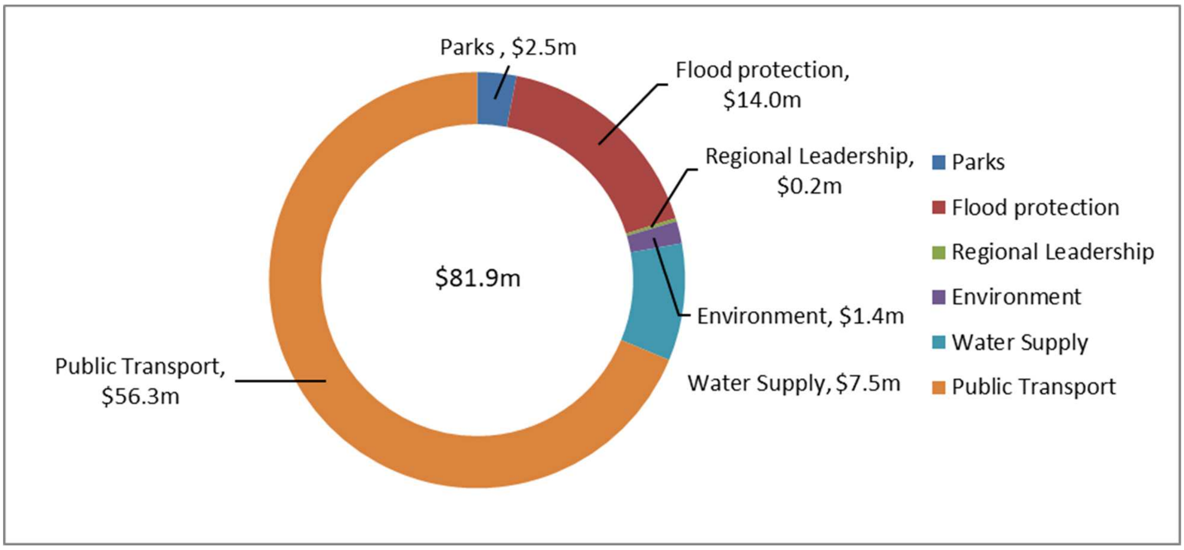
Greater Wellington's revenue is sourced primarily through rates and grants from central government. Other revenue sources include water supply levy, fees, charges and investment income.



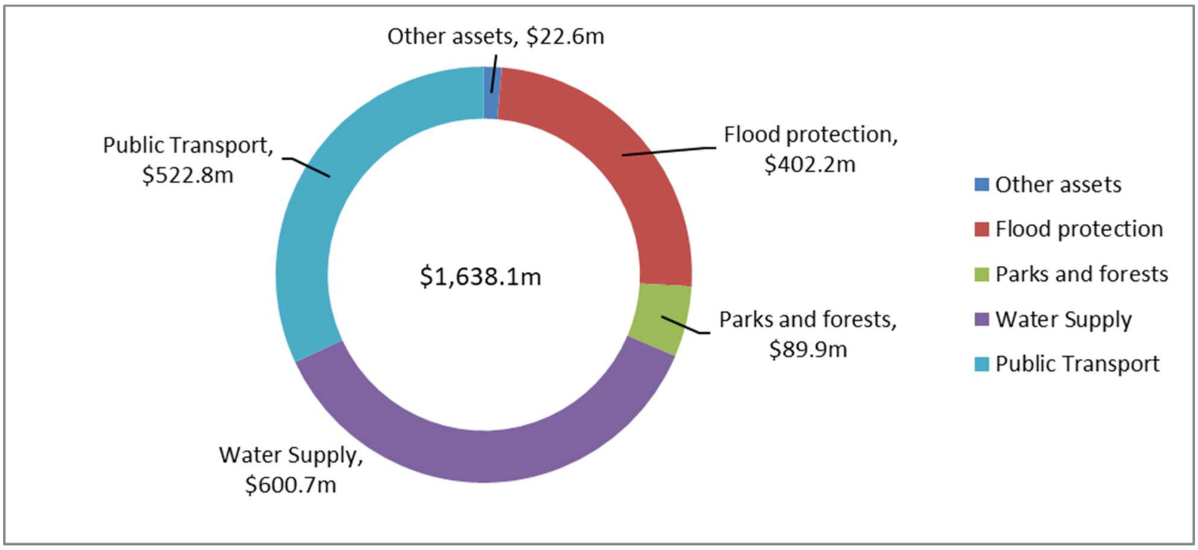
The below pie chart illustrates Greater Wellington's operational expenditure by strategic area outcomes.



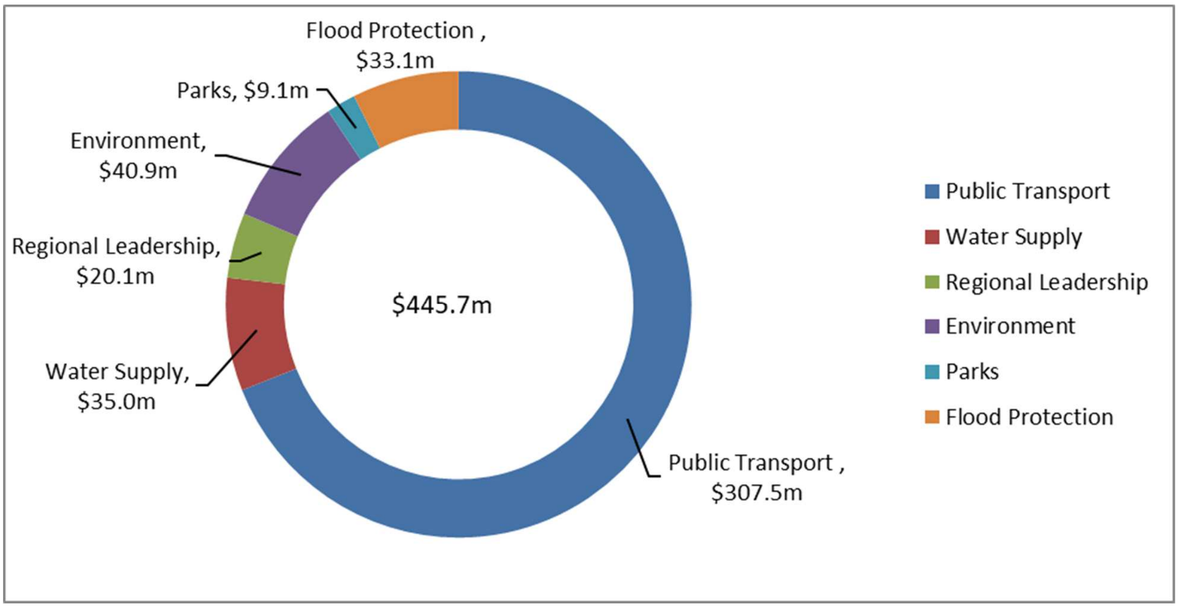
Greater Wellington's capital expenditure highlights infrastructure investment in public transport, flood protection, water supply and parks and forests.



The below pie chart illustrates Greater Wellington's asset base comprising public transport, flood protection, water supply and parks. Public transport includes $457.2m of rail rolling stock and railway station infrastructure owned by Greater Wellington Rail Limited, a Council subsidiary.



The below pie chart illustrates Greater Wellington's total expenditure i.e. operational plus capital by strategic area outcomes.



He Purongo Putea | Finances at a glance

Annual revenue

2017/18
Actual
$315.6M

2018/19
Actual
$388.6M

2018/19
Annual Plan
$394.3M

$164.7 million
from rates

$223.9 million
from grants & other sources

Annual expenditure

2017/18
Actual
$314.5M

2018/19
Actual
$388.7M

2018/19
Annual Plan
$381.8M

Capital expenditure

2017/18
Actual
$65.7

2018/19
Actual
$81.9m

2018/19
Annual Plan
$117.4m

Debt

2017/18
Actual
$379.6M

2018/19
Actual
$467.5M

2018/19
Annual Plan
$473.7M

Ngā Mahi a Te Pane Matua Taiao | Activities of the Greater Wellington Regional Council

In our Long Term Plan 2018-28 Greater Wellington set out what we planned to achieve this year. This section of the Annual Report sets out in detail a range of targets and performance measures we set, and a summary of the year's achievements.

Funding-impact statements showing the operating surplus or deficit as well as the capital expenditure for the year, and how that expenditure was funded, is also provided for each activity at the end of this section.

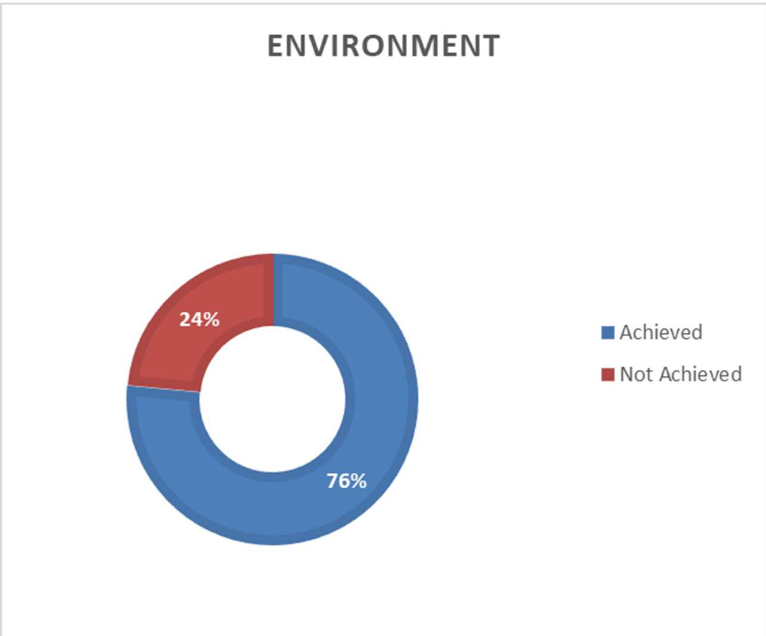
Te Taiao | Environment

This group of activities contributes to:	
Priority area	Fresh water quality and biodiversity
Community Outcomes	Healthy environment Resilient Community Strong economy Engaged community

Activities

- Resource management
- Land management
- Biodiversity management
- Pest management
- Harbour management

Greater Wellington is responsible for regulating the use of the region's natural resources. We do this through regional policies, plans and resource consents. We help the community to manage and restore ecosystems and manage land sustainably. We monitor and report on the state of the environment, manage environmental threats like pest plants and animals, and provide a 24-hour pollution response service. We also look after the region's harbours.



Overall Summary of the Year's Performance

Greater Wellington made good progress through the year with a number of pieces of work which will contribute to the maintenance and improvement of the region's natural environment and creating a sustainable region for now and future generations. This work includes the Proposed Natural Resources Management Plan reaching a significant milestone and the completion of two whaitua committee processes. We also partnered with the National Institute of Water and Atmospheric Research (NIWA) to produce 22 videos showcasing the stream health monitoring assessment kit.

The Wellington Region Erosion Control Initiative made excellent progress this year by planting over 210,000 trees, consisting of 21,500 willow/poplar, 180,500 exotic forestry and 8,500 native. We also continued our work to explore more effective ways of achieving environmental change on farms.

Our biodiversity work included planning and coordinating ecological restoration at sites of high ecological value across the region through our Key Native Ecosystem (KNE) programme. We established the Wellington Regional Biodiversity Framework Project and continued to work with mana whenua and other partners to restore Wairarapa Moana and Te Awarua-o-Porirua Harbour and catchment. Together with the community we delivered a number of successful public events including training for wetland restoration and keeping volunteers safe, community snorkelling days, and monitoring stream health.

We are proud that Greater Wellington's operational plan for the Miramar Predator Eradication Project was assessed as "gold" standard by Predator Free 2050. We commenced implementation of the plan on the Miramar peninsula with strong community support.

Resource Management

The year in summary

Overall, we met most of our objectives and set ourselves some aspirational targets for the year and completed a number of important pieces of work. The Decisions version of the proposed Natural Resources Plan was publically notified on 31 July and two whaitua committee processes have been completed. We have now completed two (out of five) Whaitua Implementation Programmes (WIPs). Both represent very successful achievements.

Resource management planning future-proofs our region's well-being for future generations by providing the information, plans, rules and support to ensure sustainable use of our physical and natural resources.

Both the WIPs and the Decisions on the proposed Natural Resources Plan (pNRP) set a blueprint for how natural and physical resources in our regional environment need to be managed, with a particular focus on land and water management. They represent a significant 'upping of the game' towards and beyond the Long Term Plan outcomes on freshwater quality and biodiversity.

While these outcomes are still to be realised through implementation, work has commenced over the last year to determine how we will partner with mana whenua, connect with our partners, and organise our staff resource to implement both the pNRP and new WIPs.

Collaborative consenting projects have featured strongly in last year's work programme particularly in areas of wastewater management, most notably in partnership with Wellington Water, mana whenua and a host of other partners, to inform future outcomes for Porirua's wastewater treatment plant and network; and similarly close collaboration efforts with South Wairarapa District Council towards aligning council and community expectations for possible outcomes of Featherston wastewater treatment plant discharges on local watercourses and Wairarapa Moana.

Key projects and programmes

What we said we would do	What we did
Whaitua Committee programme	The Te Awarua-o-Porirua Whaitua Implementation Programme and Ngāti Toa Statement were completed in April 2019. The Whaitua Te Whanganui-a-Tara Committee was established in December 2018 and is currently underway.
Proposed Natural Resources Plan (PNRP) - decision version	The decisions version of the Proposed Natural Resources Plan was publicly notified on 31st July 2019. Public hearings were completed in August 2018 and covered 68 hearing days with 596 tabled documents and 19 expert conferences
Soil Mapping	Soil mapping, dataset and factsheet development for the Whangaehu and Kopuranga catchments was completed. The ARC GIS on-line mapping layer for these catchments were supplied.
Enabling catchment communities – whaitua implementation	The outcomes from the two completed whaitua processes is increasing in focus, going hand-in hand with implementation of the Proposed Natural Resources Plan.
Citizen science	We partnered with NIWA to develop and produce 22 videos showcasing the stream health monitoring assessment kit (SHMAK). We also partnered with Mountains to Sea Trust to produce training modules based on SHMAK and contributed to national understanding and support of citizen science.
Cultural monitoring framework	Greater Wellington led the development of a Cultural Monitoring Framework. We completed the method 2 report from Te Āti Awa ki Whakarongotai and are looking at developing an implementation approach. Entered into Method 2 development with Ngāti Kahungunu ki Wairarapa and Rangitāne o Wairarapa. Development of a kaitīakitanga programme for rangatahi in partnership with Ngā Kanohi Marae o Wairarapa. Worked with Ngāti Toa on a Marine Cultural Health indicators project that may be able to provide a method 2 strategy and assist with whaitua implementation. We worked with Ngā Hapū o Ōtaki to develop an approach to measure cultural values (especially whitebait) in the Waitohu catchment as a part of the Mahi Waiora project.

Measuring our performance

Level of service	Performance measure	Performance targets			
		Baseline (2017)	**2018/19 Target**	**2018/19 Actual**	**Achieved/ not achieved**
Customer satisfaction	Level of overall satisfaction with consent processing services [6]	>4 when measured on a scale of 1 to 5	>4	4.23	Achieved
Process resource consents in a timely manner	Percentage of non-notified resourced consents processed within statutory timeframes	100%	100%	100%	Achieved
Monitor compliance with resource consents	Rates of compliance for high risk activities[7] where historical compliance rates are below 80%	High risk activities <80% • Water takes • Earthworks • Municipal wastewater, • Municipal water supplies & water races	>80%	• Water takes – 76% • Earthworks – 75% • Municipal wastewater – 77% • Municipal water supplies and water races – 77%	Not achieved[8]
Effective response to environmental incidents	Rate of detection[9] and associated action taken on non-complying incidents[10]	28.7%	Maintain or increase against previous year	32.8%	Achieved

[6] On a scale of 1 (very dissatisfied) to 5 (very satisfied)
[7] The activities defined as high risk are potentially subject to change if risk profile changes
[8] Historically, we reached 60-70% and set a more aspirational target this year as a result and while seeing improvement we did not reach the target this year.
[9] 'Detection' - a discharge or activity is attributed to a specific source (i.e. non-compliance by a specific person(s) is confirmed)
[10] This is only measured against those incidents in which environmental effects are rated minor or higher

Land Management

The year in summary

Considerable progress was made during the year in land management initiatives. The range of activities delivered by Greater Wellington aim to manage the environmental impacts of the farming sector while ensuring the sector remains prosperous and secure.

The Wellington Region Erosion Control Initiative (WRECI) received an additional $0.5 million of extra funding from the Ministry for Primary Industries relating to the new One Billion Trees programme to support this initiative. This funding boost enabled an additional 195 hectares of erosion prone land to be treated in 2018/19.

The Riparian Programme was implemented, providing planning and works delivery for stock exclusion in key waterways and native planting to protect and enhance waterways.

The work carried out by Greater Wellington enables catchment communities by connecting landowners with relevant research, experts, land use innovations and learning opportunities.

During the year, we participated in a range of initiatives and supported various events including:

- Partnering with primary industry led initiatives with shared land use objectives including dairy, horticulture, meat production and forestry
- Encouraging participation and supporting the Balance Farm Environment Awards
- Assisting central government with policy development including membership on the stakeholder working group of the one year review of the National Environmental Standard – Plantation Forestry
- Collaborating with Crown Research Institutes on regionally important research projects, such as Manaaki Whenua’s Smarter Targeting of Erosion Control (STEC) programme.

Key projects and programmes

What we said we would do	What we did
Expand farm environment plans in priority catchments	Work continued in exploring more effective ways of achieving environmental change on farms by delivering farm plans in priority catchments. There are a number of threads to this work including consideration of structure and format of farm plans. This work encourages working in a more flexible approach that better matches individual circumstances and environmental issues of particular farms and catchment. New farm plans also link into the Whāitua process in the Ruamahanga catchment, aiming for better alignment of farm plans to the priority sub-catchment issues identified for particular Freshwater Management Units (FMU).
Riparian Programme	The Riparian Programme has grown substantially this year with 65 new riparian management plans being approved. Work was carried out at eleven category 1 high value sites – as identified in the Proposed Natural Resources Plan. All of these category 1 sites were located in the Wairarapa with five being significant to mana whenua. The majority of the riparian projects approved and implemented were category 2 sites. The Riparian Programme enabled 41.5 km of riparian fencing, and 23,750 trees planted across our region.
WRECI (Wellington Region Erosion Control Initiative) Funding and support for erosion prone land	2018-19 was the ninth year of the WRECI programme. In 2018-19, 718 hectares of erosion prone land was treated. This work consisted of 464 hectares of willow/poplar planting, and 254 hectares of afforestation or native reversion land retirement. This work involved planting over 210,000 trees consisting of 21,500 willow/poplar, 180,500 exotic forestry and 8,500 native. The WRECI programme achieved significant growth from 2015-2019, in which erosion treatment was completed on 2,044 hectares of erosion prone land, compared to 872 hectares treated between 2010-2015. In 2018-19 work was carried out on 194 properties.
Catchment Management Schemes	Scheme work programmes were delivered successfully in the Whareama, Mataikona, Homewood, Kaiwhata, Maungaraki, and Awhea catchment schemes. Annual scheme meetings of six catchment schemes were held in May. Highlights of these meetings included full support for improving scheme asset management practice, and conversations regarding schemes' role in the future Eastern Whaitua process.

Measuring our performance

Level of service	Performance measure	Performance targets			
		Baseline (2017)	**2018/19 Target**	**2018/19 Actual**	**Achieved/ not achieved**
Implement farm plans to reduce nutrient and sediment discharges from erosion-prone land	Erosion-prone hill-country covered by an active[11] farm plan	60%	61%	61%	Achieved
Deliver planting programme on identified erosion-prone land	Erosion-prone hill country planted	446.1 hectares	500 hectares	718 hectares	Achieved
Deliver farm environment plans to reduce nutrient and sediment loss	Over 50% of all contestable funding is allocated to priority catchments identified in the proposed Natural Resources Plan[12]	New measure	Achieved	Achieved	Achieved
Provide high quality goods and services to landowners from the Akura nursery	Survival of poles planted under the Wellington Regional Erosion Control initiative (WRECI)	New measure	85%	94%	Achieved

Unplanned activity

An additional $0.5 million of funding was received in 2018/19 from the Ministry for Primary Industries relating to the new One Billion Trees programme. This enabled an additional 195 hectares of erosion prone land to be treated in 2018/19, the completion of deferred maintenance at Akura Nursery to increase poplar pole production in future years, and the production of a report that sets out a framework for the Wellington region to engage with the One Billion Trees programme to align regional opportunities with the fund.

[11] "Active" is assessed by whether a farm plan has led to some delivery of erosion mitigation work in the past three years.

[12] The "contestable fund" provides assistance to landowners for implementing remediation works to farm system environmental risks. These grants are coordinated through farm environment plans and incentivise farm system improvements that will result in a water quality or biodiversity enhancement. Works are prioritised by priority catchments identified in the Proposed Natural Resources Plan, and any unallocated funding is accessible to non-priority catchments after February any plan year. In 2018/19 $286,398 of grants were provided in priority catchments, and $90,389 was provided in non-priority catchments.

Biodiversity Management

The year in summary

During 2018/19 Greater Wellington undertook a range of work to protect and enhance the biodiversity of the region, such as pest plant and animal control, fencing, and planting. Through our Key Native Ecosystem (KNE) programme, we planned and coordinated ecological restoration at sites of high ecological value across the region. Our Wetland Programme supported landowners to improve the condition of natural wetlands. In Te Awarua-o-Porirua Harbour we carried out pest control at 12 sites in the catchment.

KNE sites provided source populations of animals for two translocations to Zealandia. These were the translocation of tītipounamu/rifleman from Wainuiomata Mainland Island, part of the Wainuiomata/Orongorongo Water Collection area KNE site, and the translocation of kākahi/freshwater mussel from Parangarahu Lakes Area KNE site. The tītipounamu translocation was only possible due to many years of intensive pest animal control in the mainland island leading to a significant increase in the tītipounamu population.

We established the Wellington Regional Biodiversity Framework Project, which connects efforts to protect and enhance biodiversity in the region and to design a shared way forward. The project is a partnership between Greater Wellington, mana whenua partners, Department of Conservation and the wider community. An independent collaborative working group was appointed to begin working on the Framework. The project is expected to take up to two years to form a Framework and will seek input from the wider community along the way.

We continued working with mana whenua and other partners to restore Wairarapa Moana and Te Awarua-o-Porirua Harbour and catchment. We raised awareness with schools and communities about these sites' important ecological and cultural values, and funded community groups to carry out restoration projects. We delivered a number of public events including training for wetland restoration and keeping volunteers safe, community snorkelling days, and monitoring stream health. We also actively partnered with the Department of Conservation and others to deliver Restoration Day – a learning and networking event for the ecological restoration community.

We provided advice on biodiversity policy and planning matters to various internal and external parties on request, and supported improved practice for biodiversity outcomes across the region. At a national level, we co-led the development of a new guidance document, *Biodiversity Offsetting under the Resource Management Act*, to provide clearer direction to councils and consent applicants on how to appropriately use biodiversity offsetting under the RMA.

Key projects and programmes

What we said we would do	What we did
Key Native Ecosystem Programme	The KNE programme is a long-term programme where we seek to protect some of the best examples of original ecosystems in the Wellington region. We have 56 KNE sites, which consists of approximately 48,000 ha. This year we have: • coordinated operational work (mainly pest animal control and pest plant control)at all 56 KNE sites • drafted 12 5-year KNE operational plans • added one new KNE site to the programme for 2019/20 (Kourarau, in central Wairarapa) • maintained landowner and agency relationships. For example, we have MOU agreements with six territorial authorities.
Wetland Management Programme	The Wetland programme is a short-term programme where we seek to assist landowners to look after the wetlands on their property. This year we have: • signed up 20 landowners with 33 wetlands to the programme • completed and approved Wetland Management Plans for 18 wetlands • undertaken operational work (mainly contributing towards fencing and weed control, with some planting) as outlined in 40 active Wetland Management Plans • delivered seven presentations to partners on the wetland rules in the Proposed Natural Resources Plan and the Wetland Programme
Collaborative restoration project (Wairarapa Moana and Porirua Harbour)	As part of the Wairarapa Moana Wetland Project (in collaboration with other agencies and iwi) we have: • supported two community groups to restore their local areas • enabled 70 students from three classes to learn more about wetlands and stream health • hosted 'Mysteries of the Moana' event at Lake Domain with around 200 attendees. Contributed to Te Awarua-o-Porirua Harbour and Catchment Strategy and Action Plan (in collaboration with other agencies and iwi) by: • supporting 13 community groups with restoration projects in the catchment • contributing to Mountains to Sea Wellington enabling 932 students from 30 classes to learn more about harbour and stream health • delivering ongoing pest control at various sites around the catchment to manage and enhance biodiversity values

Measuring our performance

Level of service	Performance measure	Performance targets			
		Baseline (2017)	**2018/19 Target**	**2018/19 Actual**	**Achieved/ not achieved**
Plan and deliver a programme to maintain or improve the ecological condition of identified high biodiversity value sites[13]	Percentage of management actions[14] achieved to improve the habitat for native plants and animals	97.5%	95%	93%	Not achieved[15]

[13]High biodiversity value sites are those managed under the Key Native Ecosystem programme and within collaborative biodiversity projects carried out within Porirua Harbour and Wairarapa Moana catchments.
[14]Management actions can include improving legal protection, fencing and undertaking the control of pest plants and animals.
[15] Not achieved actions were due to external parties not undertaking planned work at three KNE sites.

Pest Management

The year in summary

Greater Wellington's pest Management activities aim to reduce the impacts of pest animals and plants on the environment, economy, Māori and our communities and to ensure we are managing pests in the most effective way.

During the year, we made good progress against our key deliverables, in many instances achieving over and above the work planned for 2018/19. We completed a review of the Greater Wellington's Pest Management Plan 2019-2039 that sets the direction of pest management for the region. The Plan is a result of a collaborative effort over the past two years between Greater Wellington, the public and key stakeholders.

Other significant achievements include delivering on all planned activities included in the Regional Pest Management Strategy Operational Plan 2018/19. We also began work on the Miramar predator eradication project on behalf of Predator Free Wellington Ltd.

Key projects and programmes

What we said we would do	What we did
Regional Pest Management Plan	We delivered all activities as planned and detailed in the RPMS Operational Plan 2018/19 including all control work in the Key Native Ecosystem Programme and delivered on all species based programmes
Regional Possum and Predator Control Programme	We have serviced more than 122,000 ha of the programme (6,000 ha more than planned) and achieved target control levels
Biosecurity services to territorial authorities and public	Greater Wellington delivered cost recovery services to territorial authorities as per our memoranda of understanding, and cost recovery services to the public (e.g. rabbit control) as and when required

Measuring our performance

Level of service	Performance measure	Performance targets			
		Baseline (2017)	2018/19 Target	2018/19 Actual	Achieved/ not achieved
Provide possum control services in bovine TB free areas	Number of possums in the Regional Possum Predator Control Programme area	Low (<5% Residual Trap Catch)	Low (<5% Residual Trap Catch)	RTC 4.3%	Achieved
Provide pest species control services in Greater Wellington Key Native Ecosystems (KNE)	Deliver in accordance with KNE plans[16]	New measure	Achieved	Achieved	Achieved
Provide pest species control services across the region	Deliver in accordance with the Regional Pest Management Plan[17]	New measure	Achieved	Achieved	Achieved

Unplanned activity

Greater Wellington, Wellington City Council and the Next Foundation formed Predator Free Wellington Trust Limited charitable company (PFW) to attempt to achieve the world's first predator eradication programme in a large urban environment. We prepared an operational plan for Miramar Peninsula.

Based on the operational plan, PFW secured five years' funding from Predator Free 2050 to undertake predator (stoat, rat and possum) eradication in Wellington. The operational plan for the Miramar Eradication Project was assessed as a "gold" standard by Predator Free 2050 at their annual meeting in Taranaki in March 2019.

[16] These plans describe the work that will be done to protect plants and animals over a three year period
[17] Refer operational plan: http://www.gw.govt.nz/assets/Biosecurity/RPMSPLAN-2016-17.pdf

Harbour Management

The year in summary

Greater Wellington successfully delivered the work programme for the year, helping to ensure the safety and wellbeing of the many users of the harbours and coastal waters. Maintaining our safety equipment is critical and while we did not quite meet our targets by a very nominal amount, the equipment remained operational.

Adherence to boating bylaws and general boating behaviours was good. There was an increase in infringements and warnings due to an increase in on-the-water presence and a stronger emphasis on enforcement. The Port and Harbour Marine Safety Code review in May also went well with positive feedback received from the external peer review panel.

Working with Maritime NZ (including Fuel Excise Duty Funding) we undertook some innovative approaches to education. These were positively received, however, some were more effective than others and has given us direction to improve for future programmes.

Measuring our performance

Level of service	Performance measure	Performance targets			
		Baseline (2017)	**2018/19 Target**	**2018/19 Actual**	**Achieved/ not achieved**
Manage the safety of marine activities in the region's waters	Beacon Hill Communications station is staffed and operational 24 hours a day, seven days a week	100%	100%	99.9%	Not achieved [18]
	All navigation aids are working 24 hours a day, seven days a week	99.9%	Cat 1 99.8% Cat 2 99% Cat 3 97%	Cat 1 99.7% Cat 2 99.5% Cat 3 98.53%	Not achieved [19]
	Operate in accordance with the current Port and Harbour Marine Safety Code	Compliant with standard	Compliant with standard	Compliant with standard	Achieved
	Warnings and infringements issued	7 infringements 32 warnings (2017/18)	Increase	11 Infringements 32 Warnings	Achieved
	Meet obligations to Maritime NZ for oil spill response equipment maintenance and exercises	New measure	4 equipment checks 2 exercises	4 equipment checks 2 exercises[20]	Achieved

Unplanned Activity

A check on the radio aerials at Beacon Hill revealed water damage to the aerial and cables leading to replacement. Changes are being made to reduce future likelihood and easy fault detection.

[18] While working towards our system upgrade several equipment failures lead to the upgrade being implemented before it was entirely ready. The station remained operational however there was slightly decreased efficiency and capacity for a short time.
[19] Outages for were Rear Lead (Cat 1) faulty daylight switch, which required several visits to diagnose and some unexpected battery faults, compounded by weather restricting access. Rear Island Bay leads (cat3) were out for longer due to the power supply (street lighting) being out.
[20] All checks & exercises successfully completed. Including Maritime NZ equipment audit and staff revalidation via exercises

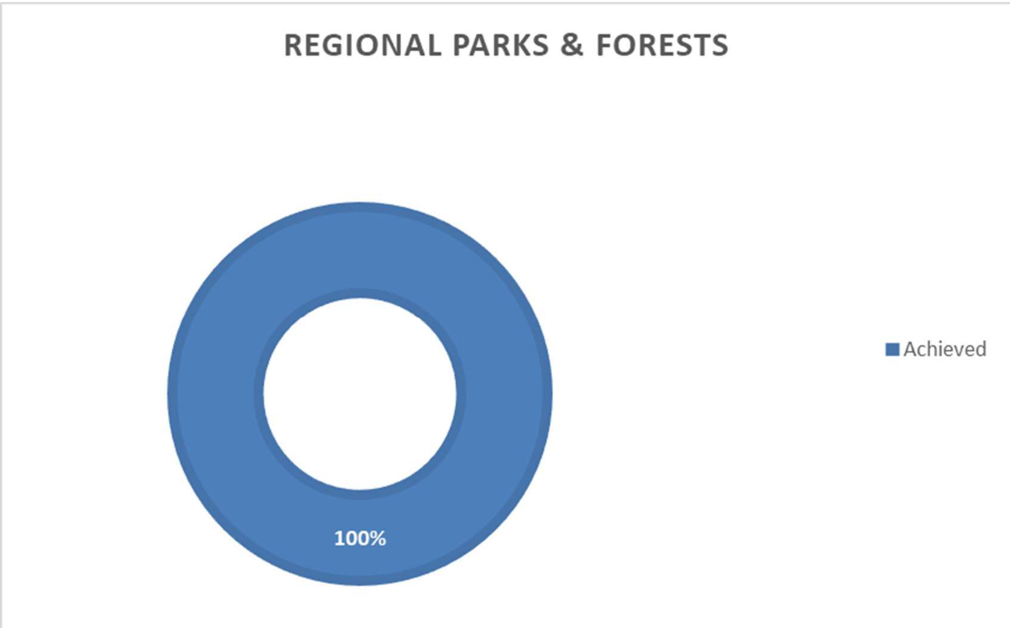
Ngā Papa Whenua | Regional Parks and Forests

This group of activities contributes to:	
Priority area	Fresh water quality and biodiversity
Community Outcomes	Engaged community Healthy environment Strong economy

Activities

- Parks planning
- Visitor services

Greater Wellington manages a network of regional parks and forests for the community's use and enjoyment in accordance with the provision of the Reserves Act 1977. In addition, we manage a number of other areas under the provisions of the Local Government Act 2002, Wellington Regional Water Board Act 1972, and Wellington City and Suburban Water supply Act 1972.



Overall Summary of the Year's Performance

The regional parks continued to grow this year in popularity, with an increase in visitation and growth in partnerships to support our programme of kaitiakitanga/ guardianship. Highlights of the year include planting in excess of 50,000 trees across the network and record numbers of people camping at Kaitoke Regional Park, Battle Hill Farm Forest Park and Belmont Regional Park.

We also gathered feedback from the community and stakeholders to develop a Parks Network Management Plan. From this feedback, key issues and opportunities were identified such as visitor experience, public access improvements and restoration opportunities and the new draft management plan is currently being developed.

We completed three large, longstanding projects including a replacement bridge over the Wainuiomata River located at Baring Head/Ōrua-pouanui (East Harbour Regional Park), development of a multi-use track connecting Hill Road and Old Coach Road at Belmont Regional Park and sealing the car park at Whitireia Park, (managed by the Whitireia Park Board). A new museum was opened at the Wainuiomata Recreation Area to showcase the history and management of Wellington's drinking water in the adjoining water catchment.

There was ongoing liaison with the Transmission Gully Motorway project regarding land retirement around the designation as mitigation for the effects of construction. A total of 300ha has now been retired and/or revegetated in both the Duck Creek and upper Cannons Creek catchments. The sites remaining unplanted following mitigation works have been included in a Greater Wellington-wide 1 Billion Trees application.

On the eastern side of the network, we strengthened the co-governance relationship with Taranaki Whānui ki Te Upoko o Te Ika (Port Nicholson Block Settlement Trust) with new appointees and re-establishment of Rōpū Tiaki for the Parangarahu Lakes Area.

Key projects and programmes

What we said we would do	What we did
Parks Network Plan. Development of a new management plan for eight regional parks and forests.	Initial public consultation was undertaken to seek feedback about what the people of Wellington value about their regional parks and what they would like to see change. As a result of feedback, Council endorsed proposed directions to phase out farming in regional parks and progressively restore these areas, as well as improving public access, collaboration with partners and community and responding to climate change. A new management plan is currently being drafted with these directions.
Upgrade swing bridge over Hutt River at Pakuratahi Forks, Kaitoke Regional Park	We commenced preparation for bridge construction for late 2019/20 including completion of engineering designs. Further planning work is required to meet the needs of all users, including those that are disabled.
Planned retreat of road, track and other visitor facilities from the Queen Elizabeth Park shoreline between Raumati south and Paekākāriki.	Preparation of a draft Coastal Erosion Plan in conjunction with park stakeholders and presented for public comment Initial planning for a re-route of the Raumati section of the Coastal Track, including a local stakeholder and public consultation planning permission process (outline plan approval) was prepared
Revegetate 25 hectare section of Queen Elizabeth Park	Year two of the three-year project was implemented, which involved planting of seven hectares out of the total 25 hectares. A final background report was prepared, to guide the final, largest tranche of planting that will in turn create improved habitat.
Conservation work on the Truss Bridge and Ladle Bend Bridge in Pakuratahi Forest	Following core drilling, engineering reports were developed, indicating that only minor work is required and only for the Truss Bridge. Work is scheduled for 2019/20.
Conservation Management Plan implementation for Belmont munitions bunkers	Implementation of the plan included structural repairs of three bunkers. Those considered structurally unsafe have been closed and signposted. The condition of the bunkers will continue to be monitored

Measuring our performance

Level of service	Performance measure	Performance targets			
		Baseline (2017)	2018/19 Target	2018/19 Actual	Achieved/ not achieved
Provide facilities and services that support the community enjoying, valuing and participating in regional parks	Percentage of the regional population that has visited a regional park in the last 12 months	68%	≥70%	74%	Achieved
	Number of visits to a regional park in the last 12 months	1.7 million	Increase on baseline	1.84 million	Achieved
	Percentage of regional park visitors that are satisfied with their experience[21]	95%	95%	97%	Achieved
	On-park volunteer hours[22]	15,503 hours pa	15,000	15,623	Achieved
	Average asset condition (1=excellent; 5 = very poor)	2.33 (structures) 2.25 (tracks)	≤3	2.26 (structures) 1.59 (tracks) Overall: 2.06	Achieved
Protect and care for the environment, landscape and heritage	Restore significant degraded environments	22,000 trees planted	35,000	52,000	Achieved

Unplanned activity

While carrying out our planned activities for the year, we undertook some additional pieces of work, and while not significant, they are noted below:

- While undertaking a track upgrade at Battle Hill Farm Forest Park, we made a decision to retire and fence approximately 5 hectares of previously grazed land
- Through the Million Metres crowdfunding platform, almost $50,000 was raised, providing for approximately 5,000 trees to be planted in the Wainuiomata River riparian zone at Baring Head/Ōrua-pouanui, East harbour Regional Park; and
- Early architectural design work was completed for the Upper Terrace camping facility building at Kaitoke Regional Park which is due for completion by Christmas 2019.

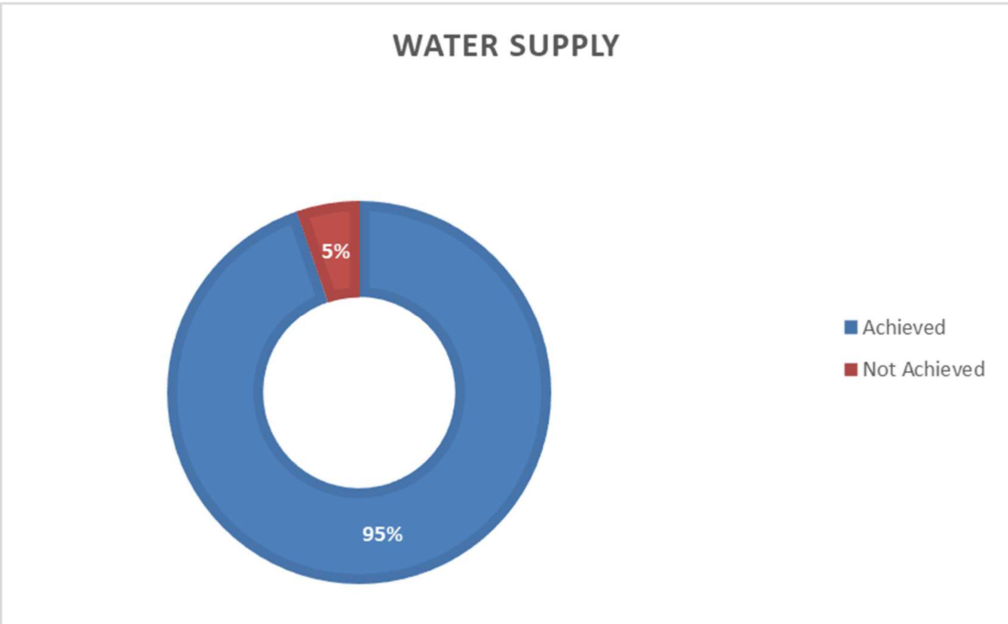
In response to flooding, we undertook stream bank stabilisation work to protect at risk high value assets (the Pakuratahi Forks Truss Bridge and the main camping area at Kaitoke Regional Park, Perhams Road vehicle bridge at Akatarawa Forest, and Plateau Road entrance area at Tunnel Gully).

[21] Randomly selected sample 500 residents 16+yr in the Wellington region, telephone interviewing and face to face interviews with questionnaire, 90% confidence interval
[22] This is a measure of time spent by volunteers carrying out on-park work eg tree planting, nursery work, track building, pest trapping. Rangers on-site collect the number of volunteer hours.

Ngā Puna Wai | Water Supply

This group of activities contributes to:	
Priority Areas	Water supply Regional resilience
Community Outcomes	Strong economy Resilient community Healthy environment

Providing safe drinking water and future-proofing bulk water supply to Wellington, Hutt, Upper Hutt and Porirua cities in the immediate term and for future generations is a priority area for Greater Wellington. Services to deliver these outcomes are delivered by Wellington Water Limited, a jointly owned council controlled organisation. Wellington Water's work programme ensures our water supply system is able to meet changing demands and be resilient to cope with stresses and emergencies.



Overall Summary of the Year's Performance

It has been a busy year for Wellington Water delivering against our work plan and making sure the community remains confident in the quality of the water we provide.

We have met all performance targets with one exception - the provision of a continuous and secure bulk water supply. A capacity constraint was identified at the Te Marua water treatment plant. This reduced the capacity of the plant to deliver water, affecting the drought resilience of the bulk network and resulting in the 1 in 50-year target not being met. We are developing plans to address this.

We made some minor adjustments to our work plan to enable us to respond to emerging issues such as addressing the identified capacity constraint. As a result, some project deliverables were amended to maintain the overall programme of work.

We progressed well with our renewal programme by renewing and refurbishing a number of assets across the four water treatment plants including upgrading alarms, compressors, meters, and chemical storage; and one bore, one clarifier and one pump set. The renewal programme continues into the next year with the upgrading of more chemical storage assets.

Our reservoir seismic strengthening work also continued with completion of the detailed design of the Wainuiomata reservoir and we expect construction to start during the summer months.

We continued to explore options for an alternative water source for Wellington city by completing the harbour bores investigation. This option turned out not to be viable, so the cross-harbour pipeline remains the preferred option and is being further developed.

Key projects and programmes

What we said we would do	What we did
Securing Wellington's water source – cross harbour pipeline or harbour bores	We completed the harbour bores investigation and provided a recommendation to progress with the cross harbour pipeline as the preferred option due to water found not being of sufficient quantity or quality to allow the harbour bores project a be considered a potentially viable alternative.
Renewal of water treatment assets (Waterloo, Te Marua, Gear Island, Wainuiomata,)	We have renewed and refurbished a number of assets over the four water treatment plants including significant work on; alarms, compressors, meters, chemical storage, one bore, one clarifier and one pump set. The programme is continuing, and in the next year will include more chemical storage assets.
Replace Kaitoke main on Silverstream bridge	The preferred option is a dedicated pipe bridge across the Hutt River close to the existing rail bridge, the pipe bridge is proposed to be a resilient structure designed to remain serviceable after a design level seismic event and flood events. Progress is being made developing the design and preparing for consenting of the preferred option. We are also working with stakeholders on understand the timing and design of future plans to replace the Silverstream road bridge.
Porirua Branch extension to Conclusion St	This project is well underway and is expected to be completed in October 2019
Strategic stores – provide alternative locations for key equipment that can help restore water service after a seismic event	This project is on hold due to the uncertainty of where staff and equipment would be located in the region. We will review requirements after the implementation of the newly established Network Operation and Maintenance Alliance and associated new depot locations.
Ngauranga and Wainuiomata reservoir seismic strengthening	We are progressing with the detailed design of the Wainuiomata reservoir and expect construction to start at the end of 2019. The Ngauranga reservoir project has been deferred. Costs for the project increased, due to a scope change to increase the structural standards that resulted in increased design and construction costs.

Measuring our performance

Level of service	Performance measure	Performance targets			
		Baseline (2017)	2018/19 Target	2018/19 Actual	Achieved/ not achieved
Provide water that is safe and pleasant to drink	Number of waterborne disease outbreaks[23]	0	0	0	Achieved
	Customer satisfaction: Number of taste complaints related to bulk water supply	5	<5	0	Achieved
	Number of complaints from Territorial Authorities (TAs) on drinking water clarity	0	<5	0	Achieved
	Number of complaints from TAs on drinking water odour	0	<5	0	Achieved
	Number of complaints from TAs on drinking water pressure or flow	1	<5	0	Achieved
	Number of complaints per 1000 connections (end consumers) to the bulk water supply system[24 25]	0.04	<0.2	0	Achieved
	Safety of drinking water:[26] Compliance with part 4 of the drinking-water standards (bacteria compliance criteria)	Yes	Yes	Yes	Achieved
	Compliance with part 5 of the drinking-water standards (protozoal compliance criteria)	Yes	Yes	Yes	Achieved
Provide a continuous and secure bulk water supply	Number of events in the bulk water supply preventing the continuous supply of drinking water to consumers	0	0	0	Achieved
	Sufficient water is available to meet normal demand except in a drought with a severity of greater than or equal to 1 in 50 years[27][28]	0.4%	<2%	6.9%	Not achieved[29]
	Attendance for urgent call-outs:[30] • Time from local authority	No events occurred	<60 minutes	0	Achieved

[23]The outcome of the Havelock North Inquiry into water supply and safety is likely to result in changes to reporting requirements
[24] Non-Financial Performance Measures Rules 2013, Water supply measure [4(a-e)]
25 Using the Water NZ survey data for the number of end consumers provided with drinking water (145,224).
26 Non-financial Performance Measures Rules 2013, Water supply measure [1(a)-(b)]
27 Normal demand includes routine hosing restrictions
28 Assessed using a probability model of annual water supply shortfall
29 A capacity limitation at Te Marua WTP is affecting the drought resilience of the bulk water network. A preferred upgrade option has been identified. Investigations will continue into 2019/20 to improve the cost estimate of the preferred option. This will be used to inform Smart Investment and the next LTP consultation process.
30 Non-Financial Performance Measures Rules 2013, Water supply measure [3(a)-(b)]

	receiving notification to service personnel reaching site • Time from local authority receiving notification to service personnel confirming resolution	No events occurred	<4 hours	0	Achieved
	Attendance for non-urgent call-outs:[31] • Time from local authority receiving notification to service personnel reaching site	35 minutes	<36 hours	0.5 hrs	Achieved
	• Time from local authority receiving notification to service personnel confirming resolution	30 minutes	<15days	0.5 hrs	Achieved
	Average drinking water consumption per resident per day within the TA districts supplied by the bulk water system[32]	351 L/p/d	<374 L/p/d	359 L/p/d	Achieved
	Maintenance of the reticulation network • Percentage of real water loss from the networked reticulation system[33] [34]	0.7%	+/- 2%	0.1%	Achieved
Provide bulk water in compliance with all resource consents and environmental regulations	Full compliance with resource consents[35]	New measure	Yes	Yes[36]	Achieved
	Annual review of relevant environmental legislation	New measure	Yes	Yes	Achieved
	HSNO location and stationary container test certificates are current	New measure	Yes	Yes	Achieved

[31] Non-Financial Performance Measures Rules 2013, Water supply measure [3(c)-(d)]
[32] Non-Financial Performance Measures Rules 2013, [5] Greater Wellington cannot technically report due to the wording of the measure, but will report the average of all residents' consumption for the district it supplies with bulk water.
[33] Non-Financial Performance Measures Rules 2013, Water supply measure [2]
[34] All connections are metered, production flows are subtracted from supply flows and weekly mass balance checks carried out to identify losses. Differences in metering accuracy account for the loss or gain of water supplied rather than leakage or unauthorised use
[35] Full compliance means no notices/convictions (abatement notices, infringement notices, enforcement orders, or convictions).
[36]There have been two instances of non-conformance with consent conditions, there has not been an instance of non-compliance. Non-conformances are those cases where the Consenting authority is aware of an issue but has determined a formal notice or enforcement order is not warranted.

Te Tiaki me te Arahi Waipuke | Flood Protection and Control Works

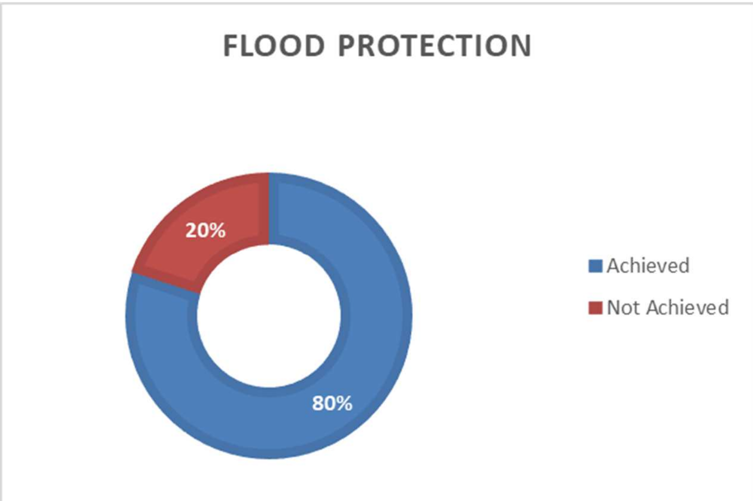
This group of activities contributes to:	
Priority Areas	Regional resilience Fresh water quality and biodiversity
Community Outcomes	Resilient community Strong economy Healthy environment Engaged community

Greater Wellington is responsible for managing flood risk in the region. We identify the likelihood of a river flooding our houses, businesses and farms, develop floodplain management plans, provide free advice and consultation service, maintain and build flood protection infrastructure, work with the community to improve the environment and recreational opportunities and provide flood warnings.

We build, manage and maintain flood protection assets along 800km of the major rivers across the region.

Activities

- Understanding flood risk
- Maintaining flood protection and control works
- Improving flood security



Overall Summary of the Year's Performance

Our programme of work progressed well during the year and we delivered the majority of our planned outcomes. RiverLink, which is a joint project between NZTA, Hutt City Council and ourselves, is a major multi-year project for Greater Wellington with significant investment required over the next 10 years. Despite some challenges and minor delays over the year, the project has progressed well with the establishment of a Project Management Group and Office to manage Phase 1, the design and consenting phase. Design consultants were also appointed to take the joint project through the next phase of design and consents. We progressed with property acquisitions, which is required for the delivery of Flood Protection components of Riverlink.

We also completed the Te Kāuru Floodplain Management Plan and construction of a new Te Awa Kairangi/Hutt River rock line adjacent to Gibbons Street in conjunction with NZTA who contributed funding to the works. In total, over 9,000 tonnes of rock was placed in the regions' rivers to maintain and strengthen bank edge protection work.

In addition, work progressed in the following areas:

- We finished a comprehensive planting programme of 12,400 native plants and 13,400 willow poles
- We commenced construction of the first stage of the Ruamahanga River Pukio East Dairy Limited stopbank realignment project
- We managed gravel extraction operations from regional river systems with 320,000 cubic metres extracted during the year
- We completed a risk assessment of nine river schemes using the asset performance code of practise.

Activities that have progressed slower than expected this year are:

- Progress in some Floodplain Management Plans due to resource constraints on our external partners.
- Progress on the Whakawhiriwhiri Stream improvement project was slower than anticipated due to the time taken to finalise landowner access.

Key projects and programmes

What we said we would do	What we did
RiverLink – Hutt River flood protection	The following elements of the work programme were completed during 2019/20: • Procurement of a supplier for the detail design and statutory approvals (consents and designations). • Development of a project partner agreement across three parties that was subsequently signed by Hutt City Council and Greater Wellington, and included of a deed of accession for NZ Transport Agency. • Established a project management board and appointed a RiverLink Cross Organisation Project Director. • Established mana whenua voting rights within the Project Management Board through a Terms of Reference in agreement with Ngāti Toa Rangitira and Taranaki Whānui. • Completed a summer events and engagement programme to continue engagement with residential communities and with business communities. • Assisted NZ Transport Agency design teams to enable a preferred Southern Melling bridge design option to be selected. • Progressed property acquisition with completing purchase of 76 out of 118 properties required for the delivery of Flood Protection components of RiverLink.
Hazard investigations and development of Floodplain Management Plans for Waiohine and Te Kāuru	The following elements of the work programme were completed during 2019/20: • Te Kāuru Floodplain Management Plan completed and adopted by Council. • Work on the Waiohine Floodplain Management Plan is continuing in collaboration with the community.
Ōtaki Floodplain Management Plan review	• Progress on the Ōtaki Floodplain Management Plan Review has been slower than anticipated, while we undertake extended consultation. This is now programmed to be completed by the end of the calendar year.
Implementing the outcomes of the Flood Management Plans for the Ōtaki, Waikanae, Hutt Rivers, the Pinehaven Stream and the Lower Wairarapa Development Scheme Improvements	During the 2018/19 year we: • Commenced engagement with property owners adjacent to the Pinehaven Stream project ahead of lodgement of a consent for the Pinehaven Stream Implementation. Completed designs for Sunbrae Drive and Pinehaven Road Culverts. • Finished the Jim Cooke Park Stopbank Upgrade, including removal of dangerous trees, repair of water damaged topsoil and grass areas. • Progressed land acquisition of areas identified in Hutt River Floodplain Management Plan. • Undertook erosion repairs to Hutt River Floodplain Management Plan design channel alignment for Gibbons St, SH2, Upper Hutt. • Undertook hydraulic re-modelling of Waitohu Stream to assist with progressing Convent Road diversion bund, Ōtaki. During 2018/19 we did not progress the following:

	• The Whakawhiriwhiri Stream project (within LWVDS) which was delayed by landowner entry agreement progress. This is now in a legal process. • The Pinehaven Implementation was delayed due to slow progress resolving Upper Hutt City Council Plan Change 42 appeals. The programme became subject to Environment Court timeframes relating to Upper Hutt City Council's Plan Change 42. The appeals have now been withdrawn and work on resource consents for the culvert improvement works are now underway with a focus on accelerating the programme to meet 2019/20 goals. • Implementation of gauging and monitoring site upgrades was not completed at any of targeted sites for 2018-19. • The upgrade or construction projects within Ōtaki River catchment are subject to completion of the Ōtaki Floodplain Management Plan review, therefore have been delayed and were subsequently reforecast during the year to complete in 2019/20.
Implement outcomes of the Hutt, Waikanae, Ōtaki and Pinehaven Environmental Strategies and supporting community groups to enhance the river environments	During the 2018/19 year we: • Made upgrades to Hutt River Trail at Taita/Pomare including associated plantings, and design for Hutt River Trail connection at Hulls Creek. • Designed and lodged a consent for trial stormwater treatment wetland at Belmont, Hutt River. • Undertook inter-planting to create understory in riparian areas near to Jim Cooke Park, Waikanae River. • Undertook environmental enhancement works associated with completed upgrade or improvement projects. • Provided assistance to the Waikanae and Ōtaki Friends Groups to undertake environmental planting along the river corridors. A total of approximately 6000 trees were planted during the year.

Measuring our performance

Level of service	Performance measure	Performance targets			
		Baseline (2017)	2018/19 Target	2018/19 Actual	Achieved/ not achieved
Provide the standard of flood protection agreed with communities	Major flood protection and control works are maintained, repaired and renewed to the key standards defined in relevant planning documents[37] [38]	Yes	Yes	Completed	Achieved
	Percentage of Floodplain Management Plans (FMP) recommended structural improvements implemented	Hutt 33% Ōtaki 47% Waikanae 45% Pinehaven 0%	Hutt 33% Ōtaki 47% Waikanae 56% Pinehaven 0%	Hutt 33% Ōtaki 47% Waikanae 56% Pinehaven 0%	Achieved
	Percentage completion of Lower Wairarapa Valley Development Scheme work programme (2007/2021)	88%	94%	90%	Not Achieved[39]
Provide information and understanding of flood risk in the community[40]	Percentage of identified vulnerable floodplains with a FMP in place	24%	29%	29%	Achieved
	Percentage of identified vulnerable floodplains with flood hazard mapping available via online portal	72%	78%	78%	Achieved

[37] Non-Financial Performance Measures Rules 2013, Flood protection and control works measure [1]
[38] Detailed reporting of maintenance, repair and renewal or upgrade works is included in annual asset management and implementation reports to Greater Wellington Environment Committee
[39] LWVDS not achieved due to land entry agreement delays for some projects
[40] These measures are based on a list of vulnerable floodplains, and targets for FMPs/mapping.

Unplanned Activity

Repair and upgrade of the Hutt River rock line adjacent to Gibbons Street, Upper Hutt following damage caused by a number of minor flood events. This resulted in a significant risk to SH2, oversized haulage routes and local walkways. The work involved reconstructing existing rock lines and placing an additional 3,500 tonnes of rock at a cost of just under $600,000 with $290,000 of the total cost funded by NZTA.

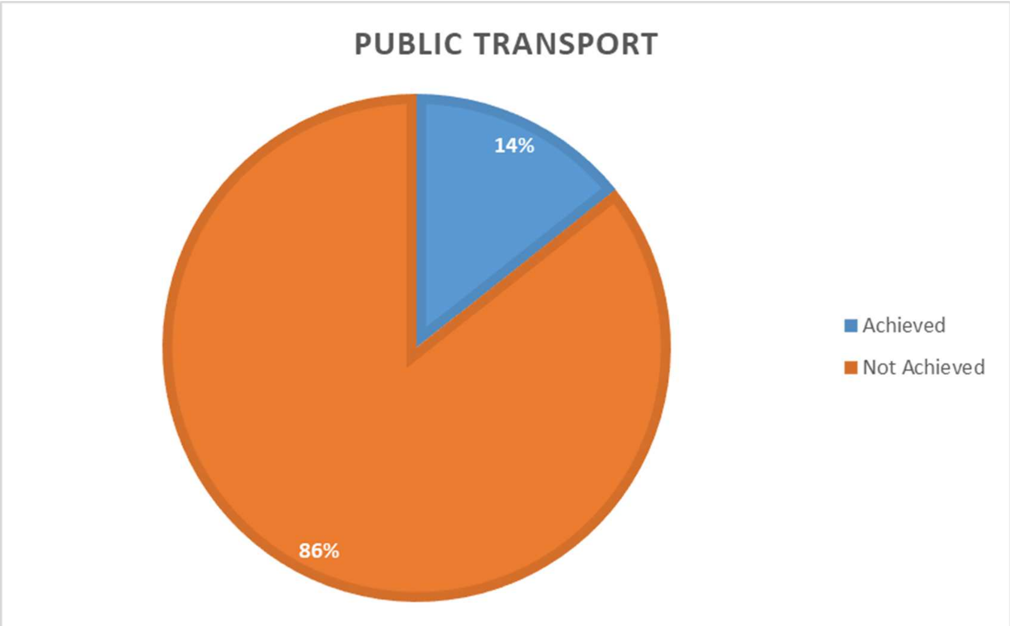
Ngā Waka Tūmatanui | Metlink Public Transport

This group of activities contributes to:	
Community Outcomes	Connected community Strong economy Healthy environment
Priority Area	Public transport

Activities

- Metlink network planning and operations - an integrated and accessible network
- Bus and ferry operations - frequent, reliable bus and ferry services
- Rail operations - a high capacity rail system

Greater Wellington manages the Metlink public transport network and delivers public transport services to the regional population. Passengers, ratepayers and road users all help fund it via fares, rates and a subsidy from the NZ Transport Agency. We deliver services across an integrated network of bus routes, five passenger rail lines and the harbour ferry service. We are also responsible for developing and maintaining public transport infrastructure including railway stations, train maintenance depot, bus and ferry shelters, signs, and Park & Ride facilities.



Overall summary of the Year's Performance

A major focus for Metlink over 2018/19 was the introduction of new bus contracts, new operators, a new Wellington City bus network and a raft of changes to ticketing, fares and timetables across the region.

Significant parts of this coordinated rollout of changes to the public transport network in Wellington region went well, including the implementation of a new fare structure, concessions for children, students and disabled customers, the introduction of Snapper ticketing across all operators and bus and rail timetable changes in Porirua and Kapiti. This followed successful rollouts in Wairarapa, the Hutt Valley and Eastbourne in April and June 2018.

However, the changes and transition to the Wellington City bus network in July 2018 did not go smoothly. Public transport customers were directly and significantly impacted by operational and performance challenges. This overshadowed many of the positive aspects of the new network, such as increased all day and weekend services, better geographical spread of services that improved access to the network, and cheaper fares for many customers – particularly during the off-peak period. The Real-Time Information (RTI) system initially provided inaccurate information to customers that compounded the substandard operational performance of many bus services.

An independent review detailed the complexity of the rollout programme and what aspects could have been better managed, such as operator, network and systems performance, communications and data management and reporting. Council responded by systematically addressing these issues and bringing stability to the network.

While the overall network has stabilised, service to customers, particularly in Wellington City, continues to be impacted by performance, network and infrastructure challenges. Variability of service in terms of punctuality and reliability continues to be impacted by the lack of bus priority, particularly along core routes in Wellington City. Reflecting these issues, customer satisfaction scores from our annual survey have dropped.

Performance also means having the right resources in place. The national driver shortage remains a significant challenge for the Metlink network. We are working closely with operators, unions and other regional councils to address this fundamental resourcing issue through, for example, the bus driver career campaign and work towards the rest and meal-break legislation.

In stage 2 of our public bus network review, Greater Wellington is working with communities, suburb-by-suburb, to overcome any remaining network design issues – looking at where buses go and how they connect our communities. The findings and resulting actions from this engagement process is expected to be made available to the public in late 2019.

In terms of infrastructure, the Wellington City Council and Greater Wellington have joined forces to identify and remediate a number of key pinch points across the city that, once freed up, should provide more bus priority and consistent public transport performance.

As a consequence of these changes, patronage increased by 4.6 percent across the Metlink network, resulting in additional 1.73 million boardings (increase of 4.0 percent) compared to the previous year. Broken down, bus boardings increased by 5.2 percent in Wellington City, 4.1 percent in Hutt Valley, and 5.6 percent in Kapiti. Fares and ticketing changes, including free transfers with Snapper, have significantly assisted with increased off-peak travel.

On the rail network, we commenced major initiatives to upgrade the region's metro rail infrastructure assets to address some of our network performance issues including developing a business case for new trains on the Wairarapa and Manawatu lines and commenced a multi-year programme to renew KiwiRail's aging rail network infrastructure. We also provided additional park and ride carparks and undertook seismic strengthening of rail footbridges.

Rail boardings increased by 5.7 percent over the 2018/19 year, with even higher levels of growth (7.3 percent) during the peak period. External factors such as congestion and urban growth outside of Wellington City are considered to be the main drivers of change.

Metlink public transport network planning and operations

The Metlink public transport network is an integrated network of bus, train and harbour ferry services. We plan the network in an integrated way to connect the communities in our region to their homes, workplaces and recreational activities. The region has a culture of public transport use and we are committed to providing high quality public transport system that is accessible to all.

The year in summary

As we have moved into the new public transport operating environment, we have improved our business intelligence to support contract management and service review and planning. We now have access to more Metlink public transport performance data than ever before and we are making performance data increasingly transparent and accessible, including providing improved performance reporting data on the Metlink website.

We addressed a series of software, hardware and operational faults affecting the accuracy of the Real-Time Information (RTI) system, resulting in a significant improvement in the overall quality and reliability of RTI service. Our RTI tracking system is now functioning at a higher-level overall than before the network changes, with high levels of on-bus tracking by operators. We have initiated a project to upgrade our RTI system from July 2019 as successive components become obsolete.

We have worked hard to improve communication with customers by attending community meetings, running physical drop-in sessions and online 'digital hui' moderated chats, and getting out and about to listen to first-hand user experiences of the new bus services.

We rolled out a suite of new fares and fare products in mid-2018 as part of the new Metlink network launch. These changes have resulted in more affordable fares for many customers and increased Snapper smartcard use on Metlink buses. Snapper smartcards are now used for about 77% of all bus boardings while the percentage of cash fare payments on buses has dropped from around 20% to around 10%.

We are working to provide a fully integrated fares and ticketing system for all Metlink customers, to enable easier payment and simpler fares. Integrated fares and ticketing is being procured through the multi-agency National Ticketing programme (Project NEXT).

We commenced a review of the Wellington Regional Public Transport Plan, our key planning document for public transport, and undertook initial engagement with key stakeholders. Council has deferred the preparation of a draft Plan for public consultation until after the local body elections. We are also updating the Wellington Regional Rail Plan to support longer term rail planning and provide for future growth in rail patronage.

Key projects and programmes

What we said we would do	What we did
An integrated and accessible network	
Establish and promote Metlink as the brand for an integrated public transport service	We have strengthened the cohesion and reach of the Metlink brand: • Metlink buses now operate under a consistent Metlink brand to support an integrated network • We refreshed the look and feel of our marketing material and paper timetables • We developed mode-specific colours for our public transport updates - to help our customers identify at a glance which information is important to them
Provide digital information that keeps pace with customers' expectations of ease and responsiveness	We improved the quality of Metlink real-time information at stops, stations and online by adding more real-time information (RTI) signs and raising visibility of the system online. We addressed a series of software, hardware and operational faults affecting the accuracy of the RTI system, resulting in a significant improvement in the overall quality and reliability of RTI service. We have stepped up advance alerts of service changes and cancellations via our website and other digital channels. We also improved the accessibility of the Metlink network by installing Braille signage at major interchanges. We began a trial of on-board announcements for Metlink buses, similar to those already in place on Metlink trains. The audio announcements are accompanied by visual route maps of upcoming stops displayed on screens. We have increased our digital presence on Facebook, Twitter and other social media platforms. We have provided increasingly transparent and comprehensive network performance data on the Metlink website.
A single national integrated fares and ticketing system – agree, procure, develop and implement with national and regional stakeholders	The National Ticketing programme (Project NEXT) is a multi-agency project that will be implemented over several years. Project NEXT is currently in the procurement phase which is being undertaken in two parts: procurement for the core ticketing solution and related services; and procurement for three essential supporting financial services. The scope of procurement is to design, build, implement and operate the solution that will provide ticketing services for GWRC, national and regional stakeholders. A shortlist for the ticketing solution providers has been agreed following a Request of Interest process. Work is now focused on preparing and issuing a Request for Proposal from the shortlisted respondents. A Request for Tender for the financial services is nearing completion.

Bus and ferry operations

Greater Wellington contracts operators (Mana, NZ Bus, Tranzurban and Uzabus) to deliver Metlink bus services throughout the Wellington region. We also contract a ferry operator (East by West) to provide the harbour ferry services. We design the bus network, including routes and timetables, and undertake area-based service reviews. We monitor performance and work with our operators to improve delivery of services and mitigate operational issues as required. We own and / or fund bus infrastructure such as bus stops and shelters and signs, bus hubs and the Lambton Bus interchange.

The year in summary

Our focus over 2018/19 has been on completing the transition to region-wide bus performance contracts, introducing a new bus network in Wellington City, together with bus and rail timetable changes in Porirua and Kapiti, and progressing the new Wellington City bus hubs. We are close to completing a new performance based contract agreement with the ferry operator East by West.

The launch of the new Wellington City network involved major changes to routes, timetables and operators and resulted in significant adverse impacts on service performance that did not meet customers’ expectations.

Since the rollout, we have listened to customers and communities and implemented a number of initiatives to minimise the impact of known issues on customers, including re-timing trips on core routes, and introducing and extending services to some areas such as Vogeltown, the Zoo, and Kilbirnie.

As part of the new network, we rolled out a new bus fleet (Euro IV diesel, electric and double decker buses) which has provided significant gains in vehicle capacity.

To ensure we address issues arising from the roll-out of the new bus network, we initiated a comprehensive bus network review. The review will focus initially on improving services in Wellington City’s eastern suburbs. Service reviews and improvements in West, South, Central and North Wellington will follow.

Bus patronage is showing steady upward growth. During 2018/19 bus patronage grew by over 960,000 boardings, to reach 24.75 million boardings. This represents a 4 per cent increase over the year. Ferry boardings however slightly declined, there were around 202,200 ferry boardings, a decline of 1 per cent over the previous year.

Key projects and programmes

What we said we would do	What we did
Frequent, reliable bus and ferry services	
Put in place the new Wellington city bus network and bed in the new bus operating model	We implemented significant bus network changes in Wellington City on 15 July 2018 as part of wider network changes. We responded to a range of operational issues that seriously impacted on the success of the rollout, and on our customers' experience of the changes: • Driver unfamiliarity with Wellington City and with the new routes. We responded by providing on-board 'Bus buddy' and bus stop 'AmBUSsador' assistance to drivers and passengers for the first weeks after the network launch. • The bus hubs, a critical component of the new network, were incomplete at go-live. We installed temporary bus hubs and wayfinding information until the permanent hubs could be completed. • Late or no-show connecting services, particularly in the evenings, made journeys and transfers difficult. We have adjusted timetables to improve service connections, and continue to monitor operational performance across the city. • Use of 'wrong-sized' buses, especially on high-demand core routes at peak times, led to crowding, delays, and, full buses driving past passengers. Even with enough right-sized buses at depots, initial day-to-day fleet allocation did not always match passenger demand. We ran extra 'banker' buses in high-demand areas and worked with operators at depots to improve bus allocation for high-demand trips. • Many of the bus size and fleet allocation problems were identified within days of the network changes but could not be addressed until a reschedule was implemented by the operator in February 2019. Since then, there have been significant improvements in the allocation of right-sized buses. • Network capacity continues to improve as new larger-sized buses enter service.
Review and improve levels of service across the bus network, with a focus on further enhancements to the Wellington city network	All areas of the Wellington City bus network have been reviewed since go-live. We have adjusted timetables to improve service reliability and punctuality, and have made further customer-driven enhancements including reinstatement of direct service options to Vogeltown, Kilbirnie, and Wellington Zoo, and between the Eastern and Western suburbs via the Hospital, to reduce some passengers' need to transfer between buses during the day. We have implemented planned service enhancement packages across Wellington City to provide later weekday and Saturday services, more shoulder peak services, more frequent services later into the evening on weekdays and Saturdays, adjustments to some school services, and earlier morning peak services. We have also delivered service enhancements in the Hutt Valley and Porirua. To provide more certainty to customers affected by the shortage of bus drivers, we have temporarily suspended some low-use trips across a number of routes in East, West, and central Wellington in line with driver availability to reduce the number of unplanned service cancellations and ensure operators have

	enough resources to consistently deliver their highest-demand trips relied on by many commuters. We have initiated a comprehensive community-led Post Implementation Review of the new network, covering Wellington City in the second half of 2019 and extending to the wider region in early 2020. This work will determine what changes are still needed for the network to address customer feedback and requests, taking into account costs, benefits and value for money.
Install new, maintain and upgrade Metlink's assets to meet service demand	Completion of Wellington City's bus hubs was significantly delayed by adverse weather conditions, unforeseen site complications and scheduling conflicts with utilities companies. Hub construction at Kilbirnie, Brooklyn, Miramar Shops, and Wellington Hospital (Newtown) was completed. Interim facilities were put in place in Johnsonville and Karori Tunnel. We continue to monitor and maintain bus stops, assets and infrastructure across the Metlink network. 21 shelters were installed at bus stops across the region that previously had no shelter. A further 28 life expired shelters have been replaced with modern new shelters. Seven new stops have been installed across the region, and changes have been made to the layout of 15 existing stops, to improve vehicle and passenger access to the network. We are awaiting approval to progress 20 new and amended bus stops, and consultations with affected property owners on a further 53 stop changes are underway. New real time information screens have been installed at 10 stop locations, two of which are at core bus stops in central Wellington (Brandon St and Cable Car). Initial concept work has begun on the replacement of the shelter and upgrade of customer facilities at the Porirua Station bus interchange.

Rail Operations - a high capacity rail system

Greater Wellington contracts the rail operator (Transdev) to provide all metro rail services, the rail network owner (KiwiRail) to provide rail network control, maintenance and renewals, and owns all railway stations (except Wellington Station), pedestrian overbridges and underpasses, and the electric trains and Wairarapa carriages.

The year in summary

Rail patronage is continuing to grow strongly, particularly during the peak. During 2018/19 rail patronage grew by 771,000 boardings, to reach 14.3 million boardings. This represents a 5.7 percent increase in patronage over the year (and a 7.3 percent increase at peak periods).

We have begun a multi-year programme to renew KiwiRail's aging rail network infrastructure to ensure the rail network is fit for purpose and to improve the resiliency of the rail corridor.

We have also commenced a programme to upgrade KiwiRail's infrastructure assets and our railway stations to remove key network constraints. This work will lay the groundwork for rail service improvements scheduled for 2021-22 to meet ongoing patronage growth.

We have introduced 9-carriage services on the Wairarapa line to increase capacity on the highest-demand trips. We are also developing a business case for new trains on the Wairarapa and Manawatū lines.

Improvements to our rail assets continued throughout the year. We have upgraded Park and Ride facilities at Porirua Station to provide an extra 172 carparks. Park and Ride expansions are also planned for Waterloo and Paremata Stations. We are also seismically strengthening rail footbridges.

Rail service delivery performance has fallen over the past year. This is due to driver shortages which have led to cancelled services, and maintenance issues resulting in shorter trains being run at peak periods. We are working with Transdev to ensure timely and concise communication with customers around cancellations, delays and bus replacements. We are replacing some lower-use rail services by buses and reducing rail ticket station operating hours as an interim measure to ensure the consistent delivery of the highest-demand services. We have been working with Transdev to rectify the train maintenance issues, and the number of short running trains has reduced dramatically since May 2019.

Key projects and programmes

What we said we would do	What we did
A high capacity rail system	
Catch up renewals to achieve a fit for purpose and more resilient Wellington metro rail track	We are in the set-up stage of a multi-year programme of work to KiwiRail's assets to renew aging infrastructure and improve the resilience of the metro rail track. During the year we joined the project governance boards with KiwiRail and early design work is underway on a number of work packages.
Unlocking capacity – rail network infrastructure improvements to remove constraints on increasing capacity at peak times	We are in the project set-up stage of a multi-year programme of work of infrastructure improvements (to KiwiRail's assets) to ensure there is sufficient capacity to deliver increased services frequency. We have joined the governance board with KiwiRail. Detailed concept designs are being prepared.
Unlocking capacity – provide additional peak period capacity to meet ongoing passenger growth	The introduction of increased capacity and frequency of services is scheduled for 2021/22 once KiwiRail and GWRC infrastructure have been upgraded. We are in the early planning and design stages of upgrades to rail stations. This work is scheduled to take place over 2019/2020 and 2020/21), but is subject to availability of funding from the National Land Transport Fund.
New rolling stock to service the Wairarapa Line and Capital connection	
Develop and agree approach including funding	A Business Case has been drafted and is being updated based on revised costings and stakeholder feedback. At this stage funding is unconfirmed. A small project to refurbish the Wairarapa line carriages commenced in June 2019. This will enable the service to continue until the mid-2020s.
Install new, maintain and upgrade Metlink's station and network assets to meet service demands	During 2018/19 we completed the following programme of work: • Completed the design for the Wellington Station Customer Information System Replacement. • Completed seismic strengthening of Kenepuru passenger rail bridge. • Commenced strengthening work on Linden Bridge. Woburn Bridge is being designed. • Extended Porirua Park and Ride. • Carried out work on extending Paremata Park and Ride which is scheduled to be completed in July 2019. • Demolition of Waterloo bus depot was completed and Park and Ride development commenced.

Total Mobility

Total Mobility subsidises door-to-door transport for people that are unable to independently use public transport because of a permanent disability or illness. Total Mobility services are available nationwide wherever scheme transport providers operate.

The year in summary

As of June 2019 there were 11,813 Total Mobility scheme users in the Wellington region.

Since July 2018 there has been a 35 per cent increase in first-time Total Mobility assessments, and a 15 per cent increase in the number of trips taken by customers. It is likely that these increases are due to the July 2018 introduction of the Metlink 50 per cent Accessible Concession and its replacement of some former operator-specific fare products used by members of the disabled community for public transport travel.

Over the last year, our focus has been on engaging with disability organisations within our communities to ensure Total Mobility customers are supported and provided with the information necessary to make informed decisions regarding their personal transport options.

Measuring our performance

Level of service	Performance measure	Performance targets			
		Baseline (2017)	2018/19 Target	2018/19 Actual	Achieved/ not achieved
Transform and elevate customer experience and use of Metlink passenger services	Percentage of rail users satisfied with their trip overall[41]	93.0%	>92.0%	89%	Not achieved
	Percentage of bus users satisfied with their trip overall[42]	92.0%	>92.0%	87%	Not achieved
	Annual public transport boardings per capita	74.5 (71.8[43])	75.6	75.2	Not achieved
Deliver services in accordance with the published timetable	Percentage of scheduled services delivered (reliability)	Bus 99.1%[44]	99.5%	98.4% [45]	Not achieved
		Rail 97.2 %	99.5%	95.3%	Not achieved
	Percentage of scheduled services on-time (punctuality to 5 minutes)	Bus N/A[46]	90%		
	at origin [47] The two calculations provided reflect punctuality of services where origin data was recorded, vs all services (incl. those with no origin data).			92.5%[48]	Achieved
				80%[49]	Not achieved
	at destination[50] The two calculations provided reflect punctuality of services where destination data was recorded, vs all services (incl. those with no destination data).			59% [51]	Not achieved
				52%[52]	Not achieved
	Percentage of scheduled services on-time (punctuality to 5 minutes) [53]	Rail 88%	90%	88.3%	Not achieved

[41] Satisfied = score of 6-10 on a scale of 0-10

[42] Satisfied = score of 6-10 on a scale of 0-10

[43] Performance prior to 2018/19 included boardings for commercial trips, which are no longer reported to Greater Wellington as these services are now defined as exempt services under the LTMA 2003. The baseline (2017) excluding these exempt services is 71.8.

[44] Reliability for the 2018/19 year is based on services that are actually tracked by our RTI and Snapper systems, and therefore results cannot be compared with prior years. In prior years operators self-reported reliability.

[45] Cancelled services are factored into the Reliability measure; the Reliability measure checks whether a trip ran (i.e. was tracked/sighted in service on its scheduled route). Cancellations are the primary reason why a scheduled trip does not run.

[46] This measure has changed from the previous long-term plan, moving from 10 to 5 minutes punctuality with the new bus contracting environment.

[47] This measure is based on services that depart from origin, departing between one minute early and five minutes late.

[48] Measure excludes trips where the start time of the trip was not recorded. Trips where there is no origin data represents 15% of total trips.

[49] Measure includes all trips where there is a record of the trip having been run, whether there was a origin or destination record or not.

[50] Measure is based on bus services that arrive at destination, arriving between one minute early and five minutes late (with a 30-second leeway). 86 percent of services arrived at their destinations on time or early (59 percent arrived at their destination on time, 27 percent arrived more than one minute early) and 14 percent arrived more than 5 minutes late. Some customers do not consider early arrival to be a problem.

[51] Measure excludes trips where the end time of the trip was not recorded. Trips where there is no destination data represents 14% of total trips.

[52] Measure includes all trips where there is a record of the trip having been run, whether there was a origin or destination record or not.

[53] Rail punctuality measure is based on rail services arriving at key interchange stations and final destination, within five minutes of the scheduled time.

Provide accessible and accurate information on Metlink services to the public	Percentage of users satisfied with the provision of Metlink information - about delays and disruptions	67%	≥70%	52%	Not achieved
Maintain and improve performance and condition of Metlink assets	Percentage of passengers who are satisfied with overall station/stop/wharf[54]	91%	≥91%	91%	Achieved
	Average condition rating of all bus shelters maintained by Metlink (1 = very good and 5 = very poor)	1.8	Improvement on previous year	1.6	Not achieved
Provide a subsidised taxi service to customers unable to use buses or trains	Percentage of users satisfied with the overall service of the scheme[55]	99%	≥99%	96%	Not achieved

[54] Technical details relating to survey: On board survey, systematic random sampling. Sample size 4042. Response rate 61% (ferry 69%, train 65%, bus 55%). Max margin of error at 95% confidence interval. Total results weighted by mode: 63.5% bus, 36.1% train, 0.4% ferry.
[55] Satisfied = score of 3-5 on a scale of 1-5. In 2017/18 the satisfaction scale changed from 1 -10 points to 1-5 points.

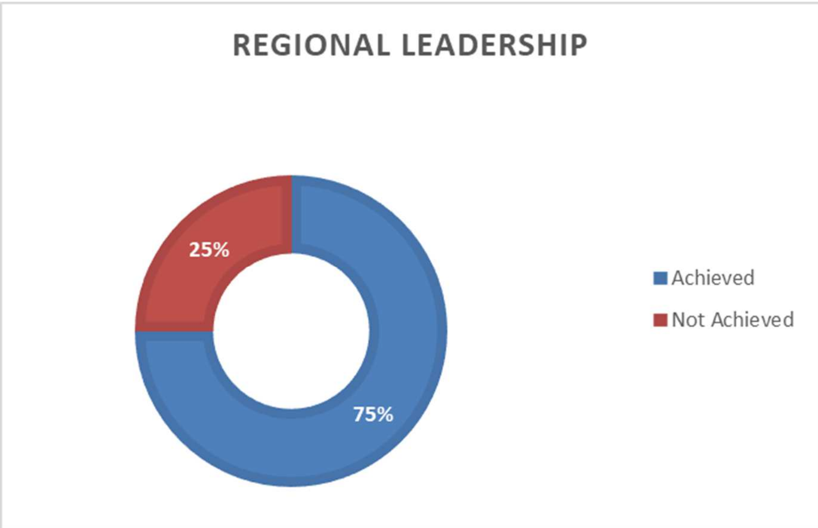
Ngā Kaihautū o te Rohe | Regional Leadership

This group of activitities contributes to:	
Priority Areas	Water supply Public transport Resilient region Fresh water quality and biodiversity
Community Outcomes	Strong economy Resilient community Connected community Healthy environment Engaged community

Activities

- Wellington regional strategy
- Emergency management
- Democratic services
- Relationships with Māori and mana whenua
- Regional transport planning and programmes
- Regional initiatives

Greater Wellington coordinates regional leadership activities in partnership with other local authorities on a range of issues and priorities across the region. Our long-term approach is to develop and maintain strong relationships and collaborative programmes at a regional level to assist with achieving integrated decision-making across the region. We involve mana whenua, key stakeholders, central government and the community in this process and in our decision-making. We also lead or are involved in a number of regional initiatives that provide significant benefits to the regional community.



Overall Summary of the Year's Performance

During the 2018/19 year a number of significant programmes of work were progressed, which aim to support the wellbeing and quality of life of our region now, and for future generations. These include projects to address regional economic development and our critical transport infrastructure, as we look at solutions to address our growing and changing region.

Our partnership with mana whenua continued to make progress and a review of Ara Tahi has been undertaken with recommendations due to be delivered to the incoming Council.

Let's Get Wellington Moving reached a significant milestone during the year with funding for the next stages of the multi-year project agreed. This programme is jointly managed by Greater Wellington, Wellington City Council and NZ Transport Agency who have a joint aim to develop a transport system that supports the community's aspirations for how the city looks, feels and functions.

Initiatives to develop the economy of the region progressed well. The Wellington Regional Investment Plan (WRIP) was finalised and, with the WRIP as a base, agreement was reached at a regional and central government level to develop a Regional Growth Framework that take a spatial focus of the future growth of the region. Work also progressed well on a regional Māori Economic Development Strategy and action plan.

Wellington Regional Strategy

The year in summary

The Wellington Regional Strategy (WRS) is the region's economic development strategy, which aims to strengthen the region's economy. The WRS Office coordinates some of the focus areas in the strategy and supports the WRS Committee, who provide political leadership and oversight of the work undertaken. The Wellington Regional Economic Development Agency (WellingtonNZ), which is a joint council controlled organisation with Wellington City Council, is responsible for implementing much of the Wellington Regional Strategy.

The focus over the 2018/19 year has been on the development and finalisation of the Wellington Regional Investment Plan (WRIP) in partnership with the eight territorial authorities (TAs) across the region. The WRIP is a long-range blueprint that details the investment required over the next 30 years to ensure future success and improve the quality of life for the Wellington region. Through the year meetings were held with ministers, mayors and central government officers to gain support and buy-in for a Wellington region partnership with Central Government using the Wellington Regional Investment Plan (WRIP) as a base. This has led to an agreement at a Wellington region and central government level to build on the WRIP and to develop a Regional Growth Framework which will focus more spatially on how the region will develop.

Work was also completed on understanding the challenges and pressures facing our regional workforce and identifying solutions for WellingtonNZ and others to collectively implement to ensure we have the right workforce settings for the future.

A review of Greater Wellington's role in regional economic development was also completed with recommendations due to be released in the first quarter of the 2019/20 year.

Another major piece of work that commenced during the 2018/19 year was the development of a regional Māori Economic Development Strategy and action plan. This plan will focus on outcomes that will embrace the interconnected themes of economic, social and cultural development as the basis for improving Māori wellbeing. Work will continue into the 2019/20 year with a strategy and plan due in the fourth quarter.

Key projects and programmes

What we said we would do	What we did
Labour Market Strategy	We progressed a review of workforce development across the region. A number of workshops were held with councils, businesses and iwi as well as one on one meetings with central government and other large employers to identify what the core issues around workforce were for the region. Greater Wellington, in partnership with WellingtonNZ, has identified recommendations that will support development of the regions workforce, these will be finalised and discussed with stakeholders in the first quarter of 2019/20.
Plan for Māori economic development with Ara Tahi	Ara Tahi created an Ohu (expert iwi working group) for economic development and appointed three members to work in partnership with the WRS Office. Greater Wellington worked with the Ohu and other stakeholders to develop a forward process and plan of action.

Review of the GPI	During 2018/19 we undertook a review of the current state of the Wellington Region GPI. Council and Ara Tahi were briefed on its status, monitored external developments on wellbeing measures including by The Treasury, Statistics New Zealand, SOLGM, Massey University, and Infometrics. It was agreed that the current GPI requires an upgrade. Recommendations on the proposed approach for this upgrade will be made in the first quarter of 2019/20.
Development and coordination of the Wellington Regional Investment Plan (WRIP)	Work continued on the WRIP with workshops across the four main areas of housing, transport, economy and resilience. Meetings were held with Ministers to discuss the opportunities around partnership with central government and a final version of the WRIP was signed off by the Mayors at their 21 June meeting.
Review how we invest in regional economic development to achieve the best outcomes for the region	We undertook a review of the role Greater Wellington should have in regional economic development. Interviews were held with all the city and district councils across the region as well as with WellingtonNZ and the Chamber of Commerce. Initial findings were presented to Greater Wellington, WRS Committee and the CEOs of the region’s councils. A final report with recommendations is due in Q1 2019/20

Emergency Management

The year in summary

The Wellington Regional Emergency Management Office (WREMO) provides coordinated civil defence across the region and works to build resilient communities that are prepared for and able to respond to and recover from emergencies. WREMO was established by the nine local authorities in the region and is administered by Greater Wellington.

During the year, great progress was made to help prepare the region for an emergency. We supported community preparedness through the delivery of emergency training programmes, consisting of three hour and one hour workshops. Importantly, the Earthquake Planning Guide which provides advice on how to be prepared and respond during an earthquake, was translated into 16 languages to ensure our Culturally and Linguistically Diverse (CALD) communities are all equally prepared. This work was complemented with the delivery of civil defence emergency management (CDEM) training across the region.

During the year we also supported the Lifelines Resilience Project together with our partners with the programme business case almost complete. The project is anticipated to be largely completed by the end of 2019.

Key projects and programmes

What we said we would do	What we did
Community Preparedness	The Earthquake Planning Guide was translated into 16 languages to help Culturally and Linguistically Diverse (CALD) communities around the region have equal access to this important preparedness information. Twenty-two three-hour workshops and 96 one-hour Plan and Prepare Workshops were delivered across the region during the year. The workshops help communities prepare for and respond to an emergency and cover topics such as the various hazards that exist in the Wellington region, how families can prepare for an emergency event, the potential impacts of a disaster including psychological support and recovery; and ways the community can be involved in the wider response.
Emergency Response Model	Capability Development: Over the past year there has been the creation of a dedicated team of two capability development staff to lead and coordinate the effective delivery of CDEM training across the region. This team has developed a five-year strategy and two year training and exercise plan to significantly improve the quality of training that is being delivered. The team received excellent feedback on the content of the training and the way in which it is being delivered. Over time, this training is expected to make a significant difference to the capability of capacity of trained CDEM staff in the region. Earthquake Response Plans: Following the events of the Kaikōura Earthquake, the Wellington CDEM Group has a Wellington Regional Earthquake Plan (WREP). Work started on the development of Local Earthquake Response Plans (LERP) to complement the WREP at the local level. Work also started on investigating a range of options for building a fit-for-purpose ECC to ensure that the region is able to manage a large-scale event.

Lifelines Coordination	The programme business case for the Wellington Lifelines is almost complete, the last piece being the completion of the Financial Case. The PBC identifies the impacts of a large earthquake event on the region's key lifelines, and a programme of work to reduce this impact. It is anticipated that this project will be largely complete by late 2019. This work has been led by the Wellington Lifelines Group in conjunction with WREMO and Greater Wellington.

Measuring our performance

Level of service	Performance measure	Performance targets			
		Baseline (2017)	**2018/19 Target**	**2018/19 Actual**	**Achieved/ not achieved**
Work with the regional community to improve resilience to, and preparedness for major emergency events	Percentage of households with sufficient emergency food and water to last at least seven days	10%	11%	23.4%	Achieved
	Annual activation test for each Emergency Operations Centre (EOC) and Emergency Coordination Centre (ECC)	100%	100%	100%	Achieved
	Number of published Community Response Plans	75%	85%	84%	Not achieved

Unplanned activity

The Coordinating Executive Group now has two iwi representatives providing input into Group governance and planning, as well as support in identifying marae that wish to have a more active role in emergency management. This is in accordance with the Government's response to the findings of the 2017 Ministerial review of CDEM (Better Responses to Natural Disasters and Other Emergencies in New Zealand). This is a significant step for the Wellington region, given the lessons learned from Kaikōura and other events around the country where iwi and marae have played a significant role supporting their communities in their time of need.

Relationships with mana whenua and Māori

The year in summary

Greater Wellington has a memorandum of partnership with mana whenua that has been in place for 25 years. The memorandum provides guidance to assist Greater Wellington to develop strategic objectives that are aligned to the aspirations of mana whenua for community benefit.

Overall, relationships with mana whenua at their collective governance, management and operational levels are progressing well. This includes the relationships that Greater Wellington is now beginning to foster as we grow the ownership of developing and maintaining relationships with mana whenua. However, Council regretfully accepted the withdrawal of Ātiawa ki Whakarongotai from Ara Tahi. Whilst the iwi have signalled their withdrawal from this regional partnership, the iwi have continued to engage with Greater Wellington in programmes specific to the rohe of Ātiawa ki Whakarongotai.

During the year we made progress with a number of initiatives reflecting the values of mana whenua and are covered in other areas in this report.

Key projects and programmes

What we said we would do	What we did
Lead legislation and policy advice on areas of implication for Māori	During the year Greater Wellington undertook a stocktake of council's obligations to Māori to move towards best practice approaches. We are also leading a regional approach to mana whakahono a rohe with councils from the region. This aims to ensure a collective approach to the way forward that does not undermine existing partnerships with mana whenua.
Training to support organisational cultural understanding	Council adopted a te reo Māori and tikanga policy that focuses on lifting the capability of all staff to develop and broaden their knowledge, utilisation and understanding of Māori.
Position Ara Tahi for the future	Councillors and members of Ara Tahi have been working towards identifying areas for improvement and a proposed new model of working. During the year, councillors and mana whenua have been leading a work to re-set the partnership so that the relationship is future focused and meets the collective priorities for the next 25 years. A series of workshops have been held, these workshops have progressed towards a preferred working option. This will be presented to the incoming Council.

Regional Transport Planning and Programmes

The year in summary

Greater Wellington manages the production, monitoring and review of the Regional Land Transport Plan, carries out regional transport analytics and modelling, provides strategic transport advice and runs a programme of travel demand management, road safety and behaviour change campaigns across the region.

The 2018/19 year began with the finalisation of the mid-term review of the Regional Land Transport Plan (RLTP) and the submission to NZ Transport Agency of the regional programme of transport activities for 2018-21. The RLTP programme is the region's bid to central government for funding through the National Land Transport Fund. The National Land Transport Programme (NLTP) was released in August 2019.

Much of the year was taken up by a series of 'lessons learned' exercises post Regional Land Transport Plan and National Land Transport Plan, and collaborative working between central and local government to improve investment decision-making processes. Greater Wellington, working in collaboration with other regional and unitary councils as well as NZ Transport Agency, has developed a more strategic and consistent approach to RLTPs, the aim of which is to enhance the role that Regional Land Transport Plans play in setting strategic transport direction and influencing investment decisions. Towards the end of the year, we began preparing for production of the next Regional Land Transport Plan that will need to be submitted in April 2021.

A major milestone achieved this year was the government's announcement of a funding package for the Let's Get Wellington Moving project and unanimous support from both Wellington City Council and Greater Wellington. The annual Movin'March active travel to school programme saw significantly increased participation this year, with more than half of the region's primary schools taking part (a 37 per cent increase on the previous year). Greater Wellington produced a highly successful active travel curriculum resource in conjunction with Enviroschools, and the Pedal Ready cycle skills training programme was as busy as ever, becoming New Zealand's first (and, so far, only) accredited cycle skills training programme under the new national Bike Ready programme.

Key projects and programmes

What we said we would do	What we did
Transport modelling, data collection and analysis for regional planning	The planned update of the Wellington Strategic Transport Model was approved by NZTA and funding released. The Annual Monitoring Report was completed and presented to the Regional Transport Committee (RTC) at its November meeting.
Regional Land Transport Plan	The six-monthly progress reports were presented to the RTC at its August and April meetings. Two variations to the RLTP were approved: Wellington City bus hubs and Hutt City accelerated renewals of LED streetlights. GW led a regional sector-wide review of the RLTP process and developed a new approach for the next round of RLTPs in collaboration with NZTA, Ministry of Transport, and the other regional and unitary councils. The approach for the next Wellington RLTP 2021 has been developed in collaboration with the region's territorial authorities and NZTA.
Let's Get Wellington Moving – prepare and develop approach to recommendations	The LGWM project team, comprising GWRC, Wellington City Council and NZTA, developed a Recommended Programme of Investment towards the end of 2018. In May 2019 the Minister of Transport announced a funding package for an Indicative Programme, the first component of which is a series of Early Improvement projects that are already underway. These Early Improvements include bus priority, active transport and urban realm improvements along the Golden Mile and on Thorndon Quay/Hutt Road.
Behaviour change programmes to facilitate use of public transport, walking and cycling and reduce vehicle use	The Aotearoa Bike Challenge and Movin'March events attracted increased rates of participation this year, with a significant 37% increase for Movin'March. A joint GWRC/Enviroschools curriculum resource was developed for promoting active transport to school and 14 workshops were offered to primary school teachers. The team carried out a number of workplace travel planning activations including Capital & Coast District Health Board, Victoria University and businesses in the new Deloitte building. Senior management approval was obtained for a staff bicycle purchase scheme at GW, similar to other staff schemes at Wellington City Council and NZTA. Bike racks on buses have been rolled out across the entire fleet of new Metlink buses.
Training and campaigns to improve road safety	Pedal Ready exceeded its target by delivering over 10 cycle skills training sessions per week throughout the year to schools, workplaces and communities, including e-bike training and teacher training. Pedal Ready instructors delivered skills activities and awareness-raising at a number of events such as Bike the Trail. Six bus bike workshops were held. NZTA's Bike Ready programme was launched with Pedal Ready as its first accredited provider.

Measuring our performance

Level of service	Performance measure	Performance targets			
		Baseline (2017)	**2018/19 Target**	**2018/19 Actual**	**Achieved/ not achieved**
Coordinate and deliver programmes which promote and encourage sustainable and safe transport choices	Number of adults participating in Sustainable Transport initiatives and promotions[56]	2,919 (2017/18)	Increase	4,403	Achieved

Unplanned activity

At its meeting on 19 September 2018 the Sustainable Transport Committee highlighted the importance of bus priority measures on the road network to deliver reliable bus journeys, alongside work to address bus service and network issues. The Committee requested that a joint work programme be developed with Wellington City Council (WCC) to plan for and deliver bus priority measures. The funding announcement for the Let's Get Wellington Moving programme on 16 May 2019 enabled progress to be made on determining corridors for bus priority improvements across the city to support LGWM and the city vision.

In partnership with WCC officers, good progress has been made on the development of a Bus Priority Action Plan. The aim of the bus prioritisation programme is to move more people using fewer vehicles and make it more attractive to travel by bus than by car.

[56] Aotearoa Bike Challenge - Wellington, national cycle skills training courses, Smart Travel Challenge, Smart Travel registrations, and bus/bike workshops

Regional Initiatives

The year in summary

Greater Wellington leads and partners with others on a number of key initiatives aimed at promoting significant economic, social and environmental benefits to the regional community.

During the 2018/19 year we make progress with a number of planned initiatives. We continued our work with CentrePort and other partners to identify future plans and opportunities for the port land, including investigating options for a new integrated ferry terminal and options for use of the land.

We also made further progress with the Lifelines Resilience Project. This is an initiative to prepare a business case for significantly improving the resilience of Wellington lifeline services to natural hazards. This is a collaborative project that includes Greater Wellington, representatives from Wellington City Council, Porirua city Council, Hutt City Council, Upper Hutt District Council and Kapiti Coast District Council, and the utility companies.

Greater Wellington continued to work with the Wairarapa councils on the Water Wairarapa Project. This is a project to look at how water storage can be integrated with municipal water supply, wastewater, stock water races and provide wider environmental and amenity opportunities, such as increasing flows in rivers and lakes.

Key projects and programmes

What we said we would do	What we did
Water Wairarapa	WSP-Opus gathered data and information required by the Wairarapa district councils to consider their collective future support and feasibility for a Community Water Storage Scheme. It analyses the strengths and weaknesses, and presents high-level options for each council. Three priority areas were identified, namely urban water infrastructure; regional prosperity and environmental expectations.
Northern Gateway Futures	We continued to provide leadership to the Programme Steering Group and Programme Control Group for this project. Of the four areas identified for work this year the following occurred: **Investigating the central NZ supply chain.** An application was made to the Regional Growth Fund to fund this work but the application was not successful. A decision has been made to put this work on hold until information from the CentrePort Regeneration Plan is complete. **CentrePort Regeneration Plan.** This work is being led by CentrePort and as at the end of the financial year, work is still underway to complete this plan. Regular updates have been provided and a completed plan is expected in 2019/2020. **Programme business case for a new ferry terminal.** A programme business case has been completed and a preferred option has been selected. This follows analysis of a number of options against a number of key factors. More detailed work will commence on the preferred option. **Land use context.** An initial report has been completed and used as an input to ferry terminal business case.

Lifelines Resilience project	The programme business case for the Wellington Lifelines is almost complete, the last piece being the completion of the Financial Case. The PBC identifies the impacts of a large earthquake event on the region's key lifelines, and a programme of work to reduce this impact. It is anticipated that this project will be largely complete by late 2019. This work has been led by the Wellington Lifelines Group in conjunction with WREMO and Greater Wellington.

He Tauākī Pūtea a Te Pane Matua Taiao mō ngā Hua Financial Impact Statements for Greater Wellington's activities

REGIONAL LEADERSHIP
FUNDING IMPACT STATEMENT
FOR THE YEAR ENDING 30 JUNE 2019

	2018/19 Actual $000s	2018/19 Long Term Plan $000s	2017/18 Long Term Plan $000s	2017/18 Actual $000s
Sources of operating funding				
General rate	8,752	9,293	8,089	7,272
Targeted rates	7,479	8,145	8,807	7,301
Subsidies and grants for operating purposes	1,224	1,359	1,614	1,122
Fees and charges	18	18	3	18
Fines, infringement fees, and other receipts	3,943	2,790	1,939	3,575
Total operating funding	**21,416**	**21,605**	**20,452**	**19,288**
Applications of operating funding				
Payments to staff and suppliers	(18,561)	(21,517)	(18,373)	(17,968)
Finance costs	(776)	(1,047)	(1,129)	(872)
Internal charges and overheads applied	(574)	(574)	(453)	(571)
Total applications of operating funding	**(19,911)**	**(23,138)**	**(19,955)**	**(19,411)**
Surplus / (deficit) of operating funding	**1,505**	**(1,533)**	**497**	**(123)**
Sources of capital funding				
Subsidies and grants for capital expenditure	115	459	401	51
Increase / (decrease) in debt	(2,790)	1,273	(2,290)	(54)
Gross proceeds from asset sales	-	-	52	65
Total sources of capital funding	(2,675)	1,732	(1,837)	62
Applications of capital funding				
- to meet additional demand	-	-	-	-
- to improve the level of service	(22)	-	-	-
- to replace existing assets	(183)	(995)	(1,641)	(370)
(Increase) / decrease in investments	1,211	609	2,821	453
(Increase) / decrease in reserves	164	187	160	(22)
		-	-	
Total applications of capital funding	**1,170**	**(199)**	**1,340**	**61**
Surplus / (deficit) of funding	**-**	**-**	**-**	**-**
Depreciation on Regional Leadership assets	178	184	460	170

This statement is not an income statement. It excludes all non-cash transactions such as depreciation and valuations.

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in the Long-Term Plan 2018-28.

All figures on this page exclude GST.

REGIONAL LEADERSHIP
FUNDING IMPACT STATEMENT
FOR THE YEAR ENDING 30 JUNE 2019

	2018/19 Actual $000s	2018/19 Long Term Plan $000s	2017/18 Long Term Plan $000s	2017/18 Actual $000s
Operating funding				
Wellington Regional Strategy	4,943	4,905	4,960	4,974
Emergency Management	4,159	3,999	3,740	3,589
Democratic Services	2,462	2,247	2,225	2,171
Relationships with Maori	1,334	1,330	944	1,055
Regional transport planning and programmes	3,942	4,092	3,339	3,241
Regional initiatives	4,576	5,032	5,244	4,255
Total operating funding	**21,416**	**21,605**	**20,452**	**19,285**
Applications of operating funding				
Wellington Regional Strategy	(5,194)	(5,108)	(4,946)	(4,806)
Emergency Management	(4,129)	(3,954)	(3,483)	(3,510)
Democratic Services	(2,317)	(2,170)	(2,072)	(1,903)
Relationships with Maori	(1,009)	(1,322)	(943)	(933)
Regional transport planning and programmes	(3,192)	(5,352)	(3,364)	(3,504)
Regional initiatives	(4,070)	(5,232)	(5,147)	(4,754)
Total applications of operating funding	**(19,911)**	**(23,138)**	**(19,955)**	**(19,410)**
Capital expenditure				
Capital project expenditure	(183)	(900)	(1,416)	(172)
		-	-	
Land and buildings	-	-	-	-
Plant and equipment	-	(15)	(47)	-
Vehicles	(22)	(80)	(178)	(198)
Total capital expenditure	**(205)**	**(995)**	**(1,641)**	**(370)**

This statement is not an income statement. It excludes all non-cash transactions such as depreciation and valuations.

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in the LTP 2015-25.

All figures on this page exclude GST.

PUBLIC TRANSPORT
FUNDING IMPACT STATEMENT
FOR THE YEAR ENDING 30 JUNE 2019

	2018/19 Actual $000s	2018/19 Long Term Plan $000s	2017/18 Long Term Plan $000s	2017/18 Actual $000s
Sources of operating funding				
General rate	-	-	-	-
Targeted rates	67,736	68,110	67,874	64,656
Subsidies and grants for operating purposes	81,734	79,575	80,425	67,509
Fees and charges	95,422	94,120	103,041	50,995
Fines, infringement fees, and other receipts[1]	9,248	7,613	2,207	4,514
Total operating funding	**254,140**	**249,418**	**253,547**	**187,674**
Applications of operating funding				
Payments to staff and suppliers	(228,167)	(221,826)	(216,733)	(170,337)
Finance costs	(13,693)	(14,265)	(15,772)	(12,757)
Internal charges and overheads applied	(9,352)	(9,567)	(3,968)	(5,853)
Total applications of operating funding	**(251,212)**	**(245,658)**	**(236,473)**	**(188,947)**
Surplus / (deficit) of operating funding	**2,928**	**3,760**	**17,074**	**(1,273)**
Sources of capital funding				
Subsidies and grants for capital expenditure	11,308	23,980	9,838	16,355
Increase / (decrease) in debt	40,050	46,650	16,257	(26,096)
Gross proceeds from asset sales	4	10	10	4
Total sources of capital funding	51,362	70,640	**26,105**	**(9,737)**
Applications of capital funding				
- to meet additional demand	(97)	(4,117)	-	(179)
- to improve the level of service	(1,700)	(7,398)	(20,898)	(7,571)
- to replace existing assets	(41,002)	(34,522)	(1,101)	(1,753)
(Increase) / decrease in investments[2]	(13,536)	(30,748)	(22,157)	(7,197)
(Increase) / decrease in reserves	2,045	2,385	977	1,189
Total applications of capital funding	**(54,290)**	**(74,400)**	**(43,179)**	**(15,511)**
Surplus / (deficit) of funding	**-**	**-**	**-**	**(26,521)**
Depreciation on Public Transport assets	3,361	4,615	3,788	1,670

[1] This includes revenue from Greater Wellington Rail Limited for services provided to manage the rail assets.

[2] Greater Wellington fully funds some public transport improvement expenditure at the time the expense is incurred, and recovers a share of the debt servicing costs from the New Zealand Transport Agency. This expenditure is treated as operational expenditure in Greater Wellington's accounts as the underlying assets will mostly be owned by the Greater Wellington subsidiary Greater Wellington Rail Limited. This has the effect of creating an operational deficit which is funded by debt in accordance with Greater Wellington's Revenue and Financing policy.

This statement is not an income statement. It excludes all non-cash transactions such as depreciation and valuations.

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in the Long-Term Plan 2018-28.

All figures on this page exclude GST.

PUBLIC TRANSPORT
FUNDING IMPACT STATEMENT
FOR THE YEAR ENDING 30 JUNE 2019

	2018/19 Actual $000s	2018/19 Long Term Plan $000s	2017/18 Long Term Plan $000s	2017/18 Actual $000s
Operating funding				
Metlink public transport network planning	23,839	25,542	15,322	16,114
Rail operations and asset management	131,238	127,275	128,791	111,859
Bus and ferry operations and asset management	99,063	96,601	109,434	59,701
Total operating funding	**254,140**	**249,418**	**253,547**	**187,674**
Applications of operating funding				
Metlink public transport network planning	(22,387)	(26,591)	(13,751)	(13,825)
Rail operations and asset management	(121,530)	(120,479)	(110,063)	(109,784)
Bus and ferry operations and asset management	(107,295)	(98,588)	(112,659)	(64,078)
Total applications of operating funding (excluding improvements)	**(251,212)**	**(245,658)**	**(236,473)**	**(187,687)**
Improvement Expenditure				
Bus and ferry operations and asset management	-	-	-	(1,260)
Total improvement expenditure	-	-	-	(1,260)
Total applications of operating funding (including improvements)	**(251,212)**	**(245,658)**	**(236,473)**	**(188,947)**
Net surplus / (deficit) of operating funding	**2,928**	**3,760**	**17,074**	**(1,273)**
Investment in Greater Wellington Rail Ltd				
Rail Operations and asset management	**(13,536)**	**(30,748)**	**(22,157)**	**(7,197)**
Capital project expenditure				
New public transport shelters, signage, pedestrian facilities and systems	(1,059)	(45,997)	(21,958)	(7,275)
Land and buildings	(1,129)	-		-
Plant and equipment	(9,689)	-		(2,228)
Vehicles	(30,922)	(40)	(41)	-
Total capital expenditure	**(42,799)**	**(46,037)**	**(21,999)**	**(9,503)**
Total investment in Public transport Infrastructure	**(56,335)**	**(76,785)**	**(44,156)**	**(17,960)**

This statement is not an income statement. It excludes all non-cash transactions such as depreciation and valuations.

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in the 10 Year Plan 2015-25.

All figures on this page exclude GST.

WATER SUPPLY
FUNDING IMPACT STATEMENT
FOR THE YEAR ENDING 30 JUNE 2019

	2018/19 Actual $000s	2018/19 Long Term Plan $000s	2017/18 Long Term Plan $000s	2017/18 Actual $000s
Sources of operating funding				
General rate	-			-
Targeted rates	-			-
Subsidies and grants for operating purposes	-			-
Fees and charges	-			-
Fines, infringement fees, and other receipts	34,534	34,308	32,934	32,511
Total operating funding	**34,534**	**34,308**	**32,934**	**32,511**
Applications of operating funding				
Payments to staff and suppliers	(20,829)	(19,985)	(19,446)	(23,566)
Finance costs	(4,706)	(4,957)	(5,189)	(4,653)
Internal charges and overheads applied	(2,008)	(2,008)	(1,465)	(1,333)
Total applications of operating funding	**(27,543)**	**(26,950)**	**(26,100)**	**(29,552)**
Surplus / (deficit) of operating funding	**6,991**	**7,358**	**6,834**	**2,959**
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Increase / (decrease) in debt	3,934	10,535	22,511	13,902
Gross proceeds from asset sales	-	-	-	-
Total sources of capital funding	3,934	10,535	**22,511**	13,902
Applications of capital funding				
- to meet additional demand	(1,049)	(150)	-	
- to improve the level of service	(4,533)	(11,183)	(21,354)	(12,518)
- to replace existing assets	(1,907)	(3,312)	(4,583)	(1,138)
(Increase) / decrease in investments	(3,276)	(3,257)	(3,408)	(3,272)
(Increase) / decrease in reserves	(160)	9	-	67
Total applications of capital funding	**(10,925)**	**(17,893)**	**(29,345)**	**(16,861)**
Surplus / (deficit) of funding	**-**	**-**	**-**	**-**
Bulk Water Levy[1]	33,069	33,069	31,215	30,863
Depreciation on Water assets	15,596	15,675	10,981	10,801

[1] This includes revenue from the bulk water supply levy charged to the Wellington, Upper Hutt, Porirua and Lower Hutt City councils and interest income.

This statement is not an income statement. It excludes all non-cash transactions such as depreciation and valuations.

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in the Long-Term Plan 2018-28.

All figures on this page exclude GST.

WATER SUPPLY
FUNDING IMPACT STATEMENT
FOR THE YEAR ENDING 30 JUNE 2019

	2018/19 Actual $000s	2018/19 Long Term Plan $000s	2017/18 Long Term Plan $000s	2017/18 Actual $000s
Operating funding				
Water Supply	34,534	34,308	32,934	32,511
Total operating funding	**34,534**	**34,308**	**32,934**	**32,511**
Applications of operating funding				
Water Supply	(27,543)	(26,950)	(26,100)	(29,552)
Total applications of operating funding	**(27,543)**	**(26,950)**	**(26,100)**	**(29,552)**
Capital expenditure				
Water sources		(130)	(1,657)	
Water treatment plants	(3,317)	(3,475)	(1,489)	(2,128)
Pipelines	(1,272)	(1,365)	(12,048)	(482)
Pump stations	(703)	(40)	(42)	(10)
Reservoirs		-	-	
Monitoring and control	(148)	(137)	(367)	(50)
Seismic protection		-	-	
Energy		-	-	
Other	(2,016)	(9,443)	(10,276)	(10,985)
Land and buildings	-			-
Plant and equipment	(33)	(55)	(58)	(1)
Vehicles	-			-
Total capital expenditure	**(7,489)**	**(14,645)**	**(25,937)**	**(13,656)**

This statement is not an income statement. It excludes all non-cash transactions such as depreciation and valuations.

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in the Long-Term Plan 2018-28.

All figures on this page exclude GST.

ENVIRONMENT
FUNDING IMPACT STATEMENT
FOR THE YEAR ENDING 30 JUNE 2019

	2018/19 Actual $000s	2018/19 Long Term Plan $000s	2017/18 Long Term Plan $000s	2017/18 Actual $000s
Sources of operating funding				
General rate	28,751	29,549	27,880	27,844
Targeted rates	73	605	636	534
Subsidies and grants for operating purposes	723	340	-	352
Fees and charges	5,689	6,368	4,349	5,599
Fines, infringement fees, and other receipts[1]	5,152	3,813	4,233	4,761
Total operating funding	**40,388**	**40,675**	**37,098**	**39,090**
Applications of operating funding				
Payments to staff and suppliers	(32,079)	(33,141)	(33,788)	(35,400)
Finance costs	(237)	(281)	(149)	(168)
Internal charges and overheads applied	(7,128)	(7,198)	(1,822)	(3,550)
Total applications of operating funding	**(39,444)**	**(40,620)**	**(35,759)**	**(39,118)**
Surplus / (deficit) of operating funding	**944**	**55**	**1,339**	**(28)**
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Increase / (decrease) in debt	797	2,016	(245)	1,044
Gross proceeds from asset sales	25	205	41	57
Total sources of capital funding	822	2,221	**(204)**	**1,101**
Applications of capital funding				
- to meet additional demand	-	-	-	-
- to improve the level of service	-	-	-	-
- to replace existing assets	(1,422)	(3,056)	(987)	(1,402)
(Increase) / decrease in investments	-	-	-	-
(Increase) / decrease in reserves	(344)	780	(148)	329
Total applications of capital funding	**(1,766)**	**(2,276)**	**(1,135)**	**(1,073)**
Surplus / (deficit) of funding	**-**	**-**	-	-
Depreciation on Environment assets	888	926	695	705

[1] This includes revenue from the Animal Health Board, sales of trees and rental income.

This statement is not an income statement. It excludes all non-cash transactions such as depreciation and valuations.

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in the Long-Term Plan 2018-28.

All figures on this page exclude GST.

ENVIRONMENT
FUNDING IMPACT STATEMENT
FOR THE YEAR ENDING 30 JUNE 2019

	2018/19 Actual $000s	2018/19 Long Term Plan $000s	2017/18 Long Term Plan $000s	2017/18 Actual $000s
Operating funding				
Resource management	21,306	21,839	17,967	20,423
Land management	5,937	5,402	6,429	5,216
Biodiversity management	4,918	4,737	4,591	4,865
Pest management	5,827	6,311	5,835	6,283
Harbour management	2,400	2,386	2,276	2,303
Total operating funding	**40,388**	**40,675**	**37,098**	**39,090**
Applications of operating funding				
Resource management	(21,244)	(21,670)	(17,134)	(21,187)
Land management	(5,956)	(5,703)	(6,211)	(4,924)
Biodiversity management	(4,617)	(4,685)	(4,543)	(4,683)
Pest management	(5,433)	(6,369)	(5,770)	(6,181)
Harbour management	(2,194)	(2,193)	(2,101)	(2,143)
Total applications of operating funding	**(39,444)**	**(40,620)**	**(35,759)**	**(39,118)**
Capital expenditure				
Capital project expenditure	(481)	(2,370)	(105)	(558)
Land and buildings	(18)	-	-	(14)
Plant and equipment	(495)	(190)	(706)	(518)
Vehicles	(428)	(496)	(176)	(312)
Total capital expenditure	**(1,422)**	**(3,056)**	**(987)**	**(1,402)**

This statement is not an income statement. It excludes all non-cash transactions such as depreciation and valuations.

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in the Long-Term Plan 2018-28.

All figures on this page exclude GST.

FLOOD PROTECTION AND CONTROL WORKS FUNDING IMPACT STATEMENT FOR THE YEAR ENDING 30 JUNE 2019

	2018/19 Actual $000s	2018/19 Long Term Plan $000s	2017/18 Long Term Plan $000s	2017/18 Actual $000s
Sources of operating funding				
General rate	11,512	11,512	10,870	10,679
Targeted rates	7,969	7,969	8,011	7,310
Fees and charges	3	-	-	2
Fines, infringement fees, and other receipts[1]	4,600	4,564	2,221	3,464
Total operating funding	**24,084**	**24,045**	**21,102**	**21,455**
Applications of operating funding				
Payments to staff and suppliers	(10,523)	(9,974)	(9,690)	(9,575)
Finance costs	(5,183)	(5,342)	(4,682)	(4,332)
Internal charges and overheads applied	(3,301)	(3,301)	(1,064)	(1,939)
Total applications of operating funding	**(19,007)**	**(18,617)**	**(15,436)**	**(15,846)**
Surplus / (deficit) of operating funding	**5,077**	**5,428**	**5,666**	**5,609**
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Increase / (decrease) in debt	9,742	13,163	10,290	24,476
Gross proceeds from asset sales	113	117	84	250
Total sources of capital funding	9,855	13,280	**10,374**	**24,726**
Applications of capital funding				
- to meet additional demand	-	-	-	-
- to improve the level of service	(13,636)	(17,570)	(14,498)	(29,224)
- to replace existing assets	(411)	(393)	(316)	(268)
(Increase) / decrease in investments[2]	(417)	(359)	(500)	(402)
(Increase) / decrease in reserves	(468)	(386)	(726)	(441)
Total applications of capital funding	**(14,932)**	**(18,708)**	**(16,040)**	**(30,335)**
Surplus / (deficit) of funding	**-**	**-**	-	(0)
Depreciation on Flood Protection and Control assets	1,326	1,328	1,126	1,100

[1] This includes revenue from the sales of shingle, rental income and direct contributions from territorial authorities for flood protection work.

This statement is not an income statement. It excludes all non-cash transactions such as depreciation and valuations.

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in in Long-Term Plan 2018-28.

All figures on this page exclude GST.

FLOOD PROTECTION AND CONTROL WORKS
FUNDING IMPACT STATEMENT
FOR THE YEAR ENDING 30 JUNE 2019

	2018/19 Actual $000s	2018/19 Long Term Plan $000s	2017/18 Long Term Plan $000s	2017/18 Actual $000s
Operating funding				
Understanding flood risk	2,933	2,846	2,389	2,942
Maintaining flood protection and control works and Improving flood security	21,151	21,199	18,713	18,513
Total operating funding	**24,084**	**24,045**	**21,102**	**21,455**
Applications of operating funding				
Understanding flood risk	(2,133)	(2,438)	(2,057)	(2,406)
Maintaining flood protection and control works and Improving flood security	(16,874)	(16,179)	(13,379)	(13,440)
Total applications of operating funding	**(19,007)**	**(18,617)**	**(15,436)**	**(15,846)**
Capital expenditure				
Hutt River improvements	(12,159)	(12,566)	(7,011)	(27,501)
Otaki River improvements	(360)	(1,687)	(823)	(870)
Wairarapa scheme	2	(1,483)	(6,034)	(235)
Other flood protection	(1,119)	(1,834)	(630)	(618)
Land and buildings		-	-	-
Plant and equipment	(164)	(133)	(129)	(38)
Vehicles	(247)	(260)	(187)	(230)
Total capital expenditure	**(14,047)**	**(17,963)**	**(14,814)**	**(29,492)**

This statement is not an income statement. It excludes all non-cash transactions such as depreciation and valuations.

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in the Long-Term Plan 2018-28.

All figures on this page exclude GST.

PARKS
FUNDING IMPACT STATEMENT
FOR THE YEAR ENDING 30 JUNE 2019

	2018/19 Actual $000s	2018/19 Long Term Plan $000s	2017/18 Long Term Plan $000s	2017/18 Actual $000s
Sources of operating funding				
General rate	6,069	6,069	6,270	6,582
Targeted rates	-	-	-	-
Subsidies and grants for operating purposes	-	-	-	10
Fees and charges	287	238	185	223
Fines, infringement fees, and other receipts[1]	1,049	707	611	781
Total operating funding	**7,405**	**7,014**	**7,066**	**7,596**
Applications of operating funding				
Payments to staff and suppliers	(4,143)	(3,822)	(5,337)	(4,885)
Finance costs	(447)	(499)	(526)	(422)
Internal charges and overheads applied	(2,027)	(1,957)	(771)	(1,506)
Total applications of operating funding	**(6,617)**	**(6,278)**	**(6,634)**	**(6,813)**
Surplus / (deficit) of operating funding	**788**	**736**	**432**	**783**
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Increase / (decrease) in debt	1,432	2,804	1,120	722
Gross proceeds from asset sales	(64)	832	44	121
Total sources of capital funding	1,368	3,636	**1,164**	**843**
Applications of capital funding				
- to meet additional demand		-	-	-
- to improve the level of service		-	-	-
- to replace existing assets	(2,496)	(3,980)	(1,760)	(1,909)
(Increase) / decrease in investments	-	-	-	-
(Increase) / decrease in reserves	340	(392)	164	283
Total applications of capital funding	**(2,156)**	**(4,372)**	**(1,596)**	**(1,626)**
Surplus / (deficit) of funding	**-**	**-**	-	-
Depreciation on Parks assets	2,232	2,298	2,273	2,329

[1] This includes rental income and park activity fees.

This statement is not an income statement. It excludes all non-cash transactions such as depreciation and valuations.

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in the Long-Term Plan 2018-28.

All figures on this page exclude GST.

PARKS
FUNDING IMPACT STATEMENT
FOR THE YEAR ENDING 30 JUNE 2019

	2018/19 Actual $000s	2018/19 Long Term Plan $000s	2017/18 Long Term Plan $000s	2017/18 Actual $000s
Operating funding				
Parks Planning	286	-	266	699
Visitor Services	7,119	7,014	6,800	6,897
Protecting the environment of regional parks	-			-
Total operating funding	**7,405**	**7,014**	**7,066**	**7,596**
Applications of operating funding				
Parks Planning	(300)	-	(266)	(692)
Visitor Services	(6,186)	(6,278)	(6,332)	(6,118)
Protecting the environment of regional parks	(131)	-	(36)	(3)
Total applications of operating funding	**(6,617)**	**(6,278)**	**(6,634)**	**(6,813)**
Capital expenditure				
Battle Hill Farm Forest Park	(48)	(260)	(146)	(30)
Belmont Regional Park	(330)	(613)	(271)	(444)
Queen Elizabeth Park	(107)	(900)	(1,057)	(801)
Whitireia Park	(114)	(107)	(13)	(18)
Pakuratahi Forest	(239)	(237)	-	(77)
Akatarawa Forest	(59)	(200)	(1)	(8)
Wainuiomata Recreation Area		(4)	-	-
Kaitoke Regional Park	(40)	(436)	(8)	(12)
East Harbour Regional Park	(1,089)	(780)	-	(172)
Other	(173)	(130)	(109)	1
Capital project expenditure	(2,198)	(3,667)	(1,605)	(1,561)
Land and buildings	-	-	-	(34)
Plant and equipment	(10)	-	-	(161)
Vehicles	(288)	(313)	(155)	(153)
Total capital expenditure	**(2,496)**	**(3,980)**	**(1,760)**	**(1,909)**

This statement is not an income statement. It excludes all non-cash transactions such as depreciation and valuations.

For more information on the revenue and financing mechanisms applicable to this group of activities, please refer to the "Revenue and Financing Policy" in the Long-Term Plan 2018-28.

All figures on this page exclude GST.

Tā te Kaunihera Rōpū me ngā Mahi Haumi | Council Controlled Organisations and Investments

Overview

Greater Wellington has a significant portfolio of investments, comprising:

- liquid financial deposits
- administrative properties (e.g. depots)
- forestry and business units
- equity investments in the WRC Holdings Group (including CentrePort Ltd)
- rail rolling stock

Greater Wellington’s approach in managing investments is to balance risk against maximising returns. We recognise that as a responsible public authority, investments should be held for the long-term benefit of the community, with any risk being managed appropriately. We also recognise that lower risk generally means lower returns.

From a risk management point of view, Greater Wellington is well aware that investment returns to the rate line are exposed to the success or otherwise of two main investments – the WRC Holdings Group (including CentrePort Ltd) and our liquid financial deposits.

Investments offset the need for rates revenue. Regional rates would need to be higher without the revenue from Greater Wellington’s investments.

Treasury management

Greater Wellington’s treasury management is carried out centrally to maximise our ability to negotiate with financial institutions.

We then on-lend these funds to activities that require debt finance. This allows the true cost of debt funding to be reflected in the appropriate areas. The surplus is used to offset regional rates.

Local Government Funding Agency

Greater Wellington is a founding shareholder in the Local Government Funding Agency (LGFA). The LGFA was established by statute in December 2011 and Greater Wellington has subscribed to $1,866,000 of shares in the LGFA. The LGFA assists local authorities with their wholesale debt requirements by providing funds at better rates than are available directly in the marketplace. Greater Wellington sources term debt requirements from the LGFA and receives an annual dividend.

As part of the arrangement, Greater Wellington has guaranteed the debt obligations of the LGFA, along with the other shareholders of the LGFA, in proportion to its level of rates revenue. Greater Wellington believes the risk of this guarantee being called on is extremely low, given the internal liquidity arrangements of the LGFA, the lending covenants of the LGFA and the charge over rates the LGFA has from all councils’ borrowers.

Liquid financial deposits

Greater Wellington holds $33 million in liquid financial deposits as a result of selling our interest in CentrePort Ltd to one of our wholly owned subsidiaries, Port Investments. We regularly review the rationale for holding these liquid financial deposits, taking into account the general provisions of our Treasury Management Policy, including our attitude to risk, creditworthy counterparties, and need to hold liquidity to meet liquidity covenants to maintain our high credit rating.

Administrative properties

Our interests in the Upper Hutt and Mabey Road depots and the Masterton office building are grouped to form an investment category, Administrative Properties.

Forestry

Greater Wellington and our predecessor organisations have been involved in forestry for many years, primarily for soil conservation and water quality purposes.

The organisation holds 6,000ha of forested land, of which about 4,000ha is in the western or metropolitan part of the region, with the remaining 2,000ha in Wairarapa.

The cutting rights to these forests were sold for a period of up to 60 years in the 2013/14 year.

Our overall investment policy with regard to forestry is to maximise long-term returns while meeting soil conservation, water quality and recreational needs.

Civic Financial Services Limited

Greater Wellington has a minor equity interest in Civic Financial Services Limited. This investment is owned directly by Greater Wellington rather than via the WRC Holdings Group.

Wellington Regional Economic Development Agency (WellingtonNZ)

WellingtonNZ is the region’s economic development agency, which was established to help implement the Wellington Regional Strategy. Greater Wellington has a 20 percent stake in this agency, with the other 80 percent being held by Wellington City Council.

Westpac Stadium

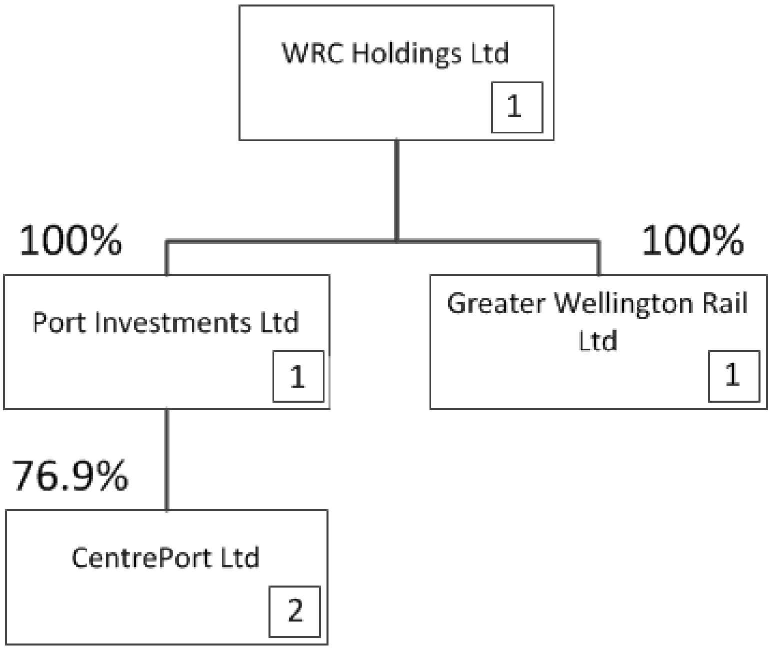
Westpac Stadium is a regional facility that provides a high quality, multi-purpose venue for sporting and cultural events.

Greater Wellington provided a $25 million loan to the Wellington Regional Stadium Trust to plan and build the stadium. It is the trust’s principal funder. Greater Wellington services and repays this loan through a targeted stadium rate.

Greater Wellington appoints one of its councillors to the Wellington Regional Stadium Trust and jointly with the Wellington City Council appoints other trustees. Greater Wellington also monitors the trust’s performance against its statement of trustees intent.

WRC Holdings Group

Greater Wellington has established the following equity investments in the WRC Holdings Group:



1 Council-Controlled Trading Organisation in accordance with the Local Government Act 2002
2 Commercial Port Company pursuant to the Port Companies Act 1988 and not a Council-Controlled Organisation in accordance with the Local Government Act 2002

WRC Holdings Ltd and Port Investments Ltd are investment holding companies. The main operating companies in the group are CentrePort Ltd and Greater Wellington Rail Limited. Every year, WRC Holdings Ltd provides to Greater Wellington, as 100 percent shareholder, a Statement of Intent for the WRC Holdings Group.

The WRC Holdings Group is Greater Wellington's prime investment vehicle and the main mechanism by which it will own and manage any additional equity investments should they be acquired in the future. Periodically, Greater Wellington reviews the structure to determine if it is still an appropriate vehicle for holding its investments.

The primary objectives of WRC Holdings Ltd are to support Greater Wellington's strategic vision and operate successful, sustainable and responsible businesses, manage its assets prudently and, where appropriate, provide a commercial return. It has adopted policies that prudently manage risks and protect the investment.

WRC Holdings parent financial performance targets are:

	Actual 2019	Target 2019	Actual 2018
Dividend distribution $000s	$1,800	$1,461	-
Dividend distribution %	100%	100%	0.0%
Return on equity[57]	0.78%	0.60%	(0.1)%
Return on assets[58]	1.00%	0.90%	0.34%
Shareholders' funds to total assets	84.0%	85.2%	83.4%

WRC Holdings group financial performance targets are:

	Actual 2019	Target 2019	Actual 2018
Net profit/(deficit) before tax	$53.9 million	$80.9 million	$23.8 million
Net profit/(deficit) after tax[59]	$53.7 million	$81.6 million	$23.1 million
Earnings before interest, tax and depreciation	$80.1 million	$109.1 million	$60.0million
Return on total assets[60]	7.1%	11.3%	5.1%
Return on shareholders' funds[61]	10.1%	16.0%	3.1%
Stakeholders' funds to total assets	67.5%	70.0%	65.8%
Dividends[62]	-	-	-

The main drivers for the variance to target are lower insurance proceeds than budgeted for CentrePort, as the overall insurance claim is still in negotiation and the costs of CentrePort redeeming the MCN issued by the Centreport property companies.

Directors of WRC Holdings and its subsidiaries (excluding CentrePort Ltd) are:

- Samantha Sharif (retired December 2018)
- Prue Lamason (Chair)
- Roger Blakeley
- Barbara Donaldson
- Ian McKinnon
- Nick Leggett
- Helen Mexted
- Nancy Ward

[57] Based on net surplus before tax divided by average equity, but excluding revaluation gains and losses.
[58] Based on earnings before interest and tax divided by average assets.
[59] Net profit after tax, but before deduction of minority interest.
[60] Earnings before interest and tax as a percentage of average total assets.
[61] Net profit after tax (and after deduction of minority interest) as a percentage of average shareholder equity (excluding minority interest.
[62] Dividends (interim and final) paid or payable to the shareholder.

Greater Wellington Rail Ltd

Greater Wellington Rail Ltd owns Greater Wellington's investments in rail rolling stock, which includes the following:

- 18 SW Carriages
- 6 SE Carriages
- 1 AG Luggage van
- 83 Matangi units
- 1 Matangi Driving Simulator
- 2 remote controlled shunt crabs
- Rail infrastructure – EMU depot, rail stations, overbridges/underpasses, car parks

Performance targets

	Actual 2019	**Target 2019**	Actual 2018
Shareholders' funds to total assets	**79.6%**	83%	81%
Operating expenditure ($ million)	**$37.5 million**	$37.7 million	$37.5 million
Capital expenditure ($ million)	**$13.5 million**	$30.7 million	$7.2 million
Operating costs are maintained overall within budget	**Complied**	Complied	Complied

Port Investments Limited

Port Investments Ltd is an investment vehicle that owns 76.9 percent of CentrePort Ltd. The other shareholder of the company is MWRC Holdings Ltd: 23.1 percent-owned by Horizons Regional Council.

	Actual 2019	Target 2019	Actual 2018
Dividend distribution $000s	1,909	1,644	-
Dividend distribution%	98%	100%	-
Return on equity[63]	72%	62%	18.8%
Return on assets[64]	6.3%	6.3%	1.0%
Shareholders' funds to total assets	5.6%	5.4%	5.2%

The performance of CentrePort is monitored through the board of Port Investments Ltd.

[63] Based on net surplus before tax divided by average equity, but excluding revaluation gains and losses. Based on earnings before interest and tax divided by average asset
[64] Based on earnings before interest and tax divided by average assets

CentrePort Limited

		Actual 2019	Target 2019	Actual 2018
Net profit	before tax	$ 18.6 million	$21.9 million	$15.2 million
Net profit	after tax	$ 16.6 million	$17.1 million	$11.8 million
Return on total assets[65]		8.8%	8.5%	6.0%
Return on shareholders' funds[66]		6.2%	6.7%	5.5%
Dividends distribution as a percentage of NPAT		24.1%	23.4%	16.9%
Dividend[67]		$4 million	$4million	$2 million
Interest cover ratio[68]		0	>2.5%	11
Gearing ratio[69]		12.4%	<50%	9%
Underlying NPAT before earthquake impacts and changes in fair value per share		$0.71	$0.73	$0.51
Dividend per share		$0.17	$0.17	$0.09
Net assets per share		$12.95	$12.95	$10.01

Directors of CentrePort Ltd are:

- Lachie Johnstone (Chair)
- Kerrie Magill
- Mark Petersen
- David Benham
- Sophie Haslem
- John Monaghan

[65] Net profit before interest and tax as a percentage of average total assets.
[66] Net profit after tax as a percentage of average shareholders' funds.
[67] For forecasting purposes the base of 40% (rounded to the nearest $100k) has been used for out-year reporting.
[68] The company has set medium and long-term financial performance and financial health targets. Earnings before interest, tax and deprecation, divided by interest expense.
[69] Total liabilities divided by total assets.

Safety and Security Performance Targets

Objective	Performance measure	Performance target FY19	Performance target Q4 and FY19
Year on year improvement towards zero harm	Lost Time Injury Frequency (per 200,000 hours worked)	≤3.5	Q4 LTIFR 3.00 12 month rolling LTIFR 2.48
	Lost Time Injury Severity Rate	≤10	Q4 LTISR 7.0 12 month rolling LTISR 13.83
	Site Inspections	>120	Q4 59 site inspections FY19 191 site inspections
	Safety Interactions	>120	Q4 48 safety interactions FY19 161 safety interactions
	Random Drug and Alcohol Testing (as a percentage of total employees)	>40%	Drug and alcohol testing was carried out every month above the target level
	bSafe Reports (incident and near miss reports)	>900	Q3 319 bSafe reports FY19 1,194 bSafe reports
Comply with the AS/NZS 4801: Occupational Health and Safety Management Systems	AS/NZS 4801 audit completed in alternate years to WSMP	Compliance with AS/NZS 4801	Health & Safety systems are all fit for purpose and comply with AS/NZS 4801
Maintain a Health and Safety Policy that leads our zero harm aspiration and actions	Policy reviewed annually against CentrePort's objectives and external benchmarks	Compliance with Policy	H&S policy and tier 1 documents have been reviewed and strategy aligns with CentrePort values and vision
Maintain and promote excellence in Marine Operations consistent with the Port & Harbour Safety Code (PHSC)	The requirements of the PHSC continue to be met	No breaches of the PHSC	No breaches of the PHSC
	Risk assessments of new tasks or reviews post incident completed	All new task risk assessments and post incident reviews complete	All new tasks and any changes to current workflows have adequate risk assessment prior to any changes
Maintain compliance with the International Ship & Port Security (ISPS) Code	Compliance is maintained, all incidents are reported to MNZ and NZ Customs Service, and learning reviews are undertaken and recommendations implemented	Compliance Maintained	Compliance with the ISPS maintained. All reportable incidents reported to the correct regulatory body

Environmental Performance Targets

Objective	Performance measure	Performance target FY19	Performance target Q4 and FY19 Outcome
Ensure regulatory compliance	Compliance breaches	Zero	No compliance beaches in Q4. Operational compliance including biosecurity and stormwater management were a Q4 focus. Successful 'Port of First Arrival' (biosecurity) audit by MPI completed. Significant improvements achieved in debris and dust management. Ongoing environmental management of infrastructure projects on port and at hub locations. Regular engagement with regulatory authorities and weekly assurance inspections are continuing.
Minimise risk to the environment	System: consistency with ISO14001	Audit and completion of first stage certification (note 1 below)	EnviroMark certification audit held on 30th and 31st July 2019. Gold certification achieved.
	Incidents: number of registered environmental incidents(FY2015 baseline – 32)	Minimum 15% decrease from baseline	Eight reported environment incidents in Q4. No notifiable incidents. FY19 41 incidents were reported. This is above the FY15 baseline but reflects the post-earthquake conditions including damaged stormwater drains and higher activity levels.
	Complaints: number of complaints from external stakeholders about environmental performance	Zero	One public complaint received regarding noise from scrap ship loading at Aotea Quay (resulted in review of operational controls). Noise management for significant projects such as Kings Wharf resilience works (stone column and piling) and the demolition of former BNZ building. Three public complaints received for port operational noise at night.
Realise opportunities to be more sustainable	Greenhouse gas emissions (quantity CO2 equivalent) emissions measured in accordance with ISO 14064 – 1:2006 and the Greenhouse Gas Protocol.	Meet targets identified in Emissions Management Plan	Progress is being made on a range of carbon reduction initiatives such as fuel transition (e.g. biofuels), electrification, energy efficiency, waste minimisation and increased use of rail.
	Ozone depleting substances used (quantity methyl bromide released to atmosphere)	100% recapture	100% recapture for the period.
	Solid waste to landfill (quantity)	Waste minimisation integrated into EQ recovery projects	Significant quantities of waste continue to be reused in resilience and regeneration projects e.g. Hinemoa Street access improvements. Preparations underway for further reuse of demolition waste from CESCO House and former BNZ building. Total demolition waste concrete volumes over 25,000m3. Office and kitchen waste minimisation scheme implemented. Finalist in the Wellington Gold awards for waste minimisation efforts.
Improve stakeholder relations	Environmental Consultative Committee meeting frequency	At least three per annum	No meeting held in Q4 due to unavailability of external members. Next meeting scheduled for 8 August. Engagement with external stakeholders occurred via other channels (e.g. Sanctuary to Sea Project and direct contact at project level).
	Iwi engagement	Pre lodgement consultation undertaken for 100% of resource consent applications	Achieved.
	Transparency	Performance against targets reported in Annual Report	2019 Annual Report includes coverage of environmental performance.
Develop a culture of awareness and responsibility	Board sub-committee (Health Safety and Environment) meeting frequency	At least four per annum	Meeting held in May 2019. Next meeting scheduled for September 2019.
	Internal "sustainability subcommittee" meeting frequency	At least three per annum	Health Safety & Environment committee meetings held six weekly.

Note: 1. Based on a three stage certification process to achieve ISO 14001 (using EnviroMark or similar)

Social performance targets

Objective	Performance measure	Performance target FY19	FY19 Outcome
Make a positive social contribution	Contribute to the desired outcome of the Wellington Regional Strategy	Provision of workplace opportunities and skills enhancements of employees.	As at 30 June 2019, CentrePort directly employs 242 staff. BERL estimate that CentrePort indirectly supports 26,300 jobs throughout central New Zealand.
		Ensuring the regional economy is connected by the provision of high quality port services to support international and coastal trade.	BERL estimate that CentrePort enables $4.2bn of New Zealand's Gross Domestic Product.
		Collaborating with key partners to improve service outcomes.	CentrePort, in partnership with KiwiRail, provide the CentreRail service linking hubs located in Taranaki, Whanganui, Palmerston North, the Wairarapa and Marlborough to the port in Wellington. The CentreRail service provides a cost effective service for exporters and importers by connecting Central New Zealand with global markets. CentrePort is actively working to expand the capacity and range of services at some existing locations, along with develop new locations.
	Support the regional community	Investing in community sponsorship and engaging in community activities to enhance relationships.	CentrePort made $102,059 of donations during the year
	Develop enduring relationships	Undertake regular meetings with representative community groups.	During the year CentrePort supported a range of community cultural, sporting and business activities including Export New Zealand Export Awards, the Royal Port Nicholson Yacht Club's International Youth Match Racing Regatta, the Waterbourne water sports festival beach clean-up event, and the Whanganui Regional Business Awards.

General performance targets

	Progress Update
The company will, in consultation with the shareholders, continue to develop performance targets in the financial, environmental and social areas.	Performance targets are reviewed and agreed in the development of the Statement of Intent.
CentrePort will report achievement against the above targets in the quarterly reports to shareholders and the annual report. The report will include specific initiatives to enhance the environment in which we operate.	Quarterly reporting has been scheduled with the shareholders.
CentrePort will also report in its quarterly report to shareholders the company's strategy when it is completed with quarterly updates of any amendments to the strategy.	Quarterly reporting has been scheduled with the shareholders.

Regeneration Measures

Objective	Performance measure	Performance target FY19	
		FY19	Q4 and FY 19
Planning supports the appropriate regeneration and growth of the port	Planning completed on time and with input from key stakeholders	Medium Term Operating Plan finalised in full by Dec 2018 Port Regeneration Plan developed by Jun 2019	Medium Term Plan adopted and work streams progressing for implementation. New main gate entrance works commenced. Regeneration Plan delayed due to insurance claim status, as advised in April 2019. Core elements of the Regeneration Plan are progressing.
Infrastructure restoration and challenge	Demolition programme on target as contained in Medium Term Operating Plan	On target	15 buildings in total demolished. BNZ deconstruction (stage 1 strip-out) commenced, with Shed 19 complete. Enabling works commenced on both Central Group and remainder of Shed 51 to enable hard demolition.
	Natural hazard resilience programme developed	Performance standards determined Sea level rise adaptation strategy developed Results fed into Port Regeneration Plan	Awaiting further testing to refine ground information/modelling. Information certain enough to drive medium-term resilience profile and longer term spatial layouts/infrastructure.
	Restoration of buildings on target as contained in Medium Term Operating Plan	On target	Shed 39 ground floor works 70% complete by 30 June 2019.
	Traffic and pedestrian management solutions on target as contained in Medium Term Operating Plan	On target	Hinemoa Street upgrade to allow main gate alignment commenced, along with former Shed 35 land remediation in Q4 FY19. Target for commencement in Q3 FY20. Pedestrian movements to be rationalised.

Wellington Regional Economic Development Agency (WellingtonNZ)

WellingtonNZ is the key provider for economic development in the region, combined with tourism, venues and major events management for Wellington City. Under an agreement between all the councils in the region, WellingtonNZ was established in late 2014. It is owned jointly by Wellington City Council (80 percent shareholding) and Greater Wellington (20 percent shareholding). The ownership reflects the proportion of funding by the two shareholding councils. It is run by an independent board of directors and is accountable to the Wellington Regional Strategy Committee – a standing committee of Greater Wellington with membership from the councils in the region. WellingtonNZ implements the majority of the Wellington Regional Strategy and will support other plans that are currently being developed.

Performance targets

The performance targets for Wellington NZ are set through their 2018-2020 SOI that was signed off by both the Wellington Regional Strategy Committee and shareholders. Results against the 2018/19 year will be published in their Annual Report by the end of September 2019.

Wellington Water Ltd

Wellington Water manages Greater Wellington's bulk water supply function. Wellington Water also manages local supply, stormwater and wastewater service delivery in the four cities of the Wellington Region. Wellington Water is jointly owned by Greater Wellington, Wellington City Council, Hutt City Council, Upper Hutt City Council and Porirua City Council, who each have a 20 percent share. It is run by an independent board of directors and is accountable to the Wellington Water Committee – a joint committee of elected representatives from each of the shareholding councils.

Performance targets

Wellington Water's performance targets, and performance for the 2018/19 year, are set out in the Water Supply section of the Long Term Plan 2018-28.[70]

[70] Pages 66-68 of this document sets out the performance report against the Long term Plan 2018-28 measures, as included in the Wellington Water Annual Report.

He tauākī pūtea | Financial Statements

Greater Wellington Regional Council
Draft Financial Statements
for the year ended 30 June 2019

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Greater Wellington Regional Council
Statement of Comprehensive Revenue and Expense
For the year ended 30 June 2019

	Note	Council Actual 2019 $'000	Council Budget 2019 $'000	Council Actual 2018 $'000	Group Actual 2019 $'000	Group Actual 2018 $'000
Operating revenue						
Rates and levies	3	**164,741**	**165,180**	152,995	**164,741**	152,995
Transport operational grants and subsidies	3	**85,122**	**81,274**	69,059	**85,122**	69,059
Transport Improvement grants and subsidies	3	**11,423**	**24,439**	16,406	**11,423**	16,406
Other revenue	3	**127,355**	**123,422**	77,132	**212,526**	154,138
		388,641	**394,315**	315,592	**473,812**	392,598
Other gains / (losses) - net		**(2,915)**	**(241)**	(1,679)	**(5,252)**	(2,117)
Total operating revenue and gains		**385,726**	**394,074**	313,913	**468,560**	390,481
Operating expenditure						
Employee benefits	4	**(48,556)**	**(49,989)**	(46,118)	**(75,773)**	(71,343)
Grants and subsidies		**(196,247)**	**(197,896)**	(148,056)	**(185,050)**	(135,872)
Depreciation and amortisation	5	**(25,267)**	**(26,434)**	(18,644)	**(51,131)**	(42,462)
Finance expenses		**(23,341)**	**(22,581)**	(19,843)	**(23,391)**	(32,170)
Other operating expenses	6	**(93,479)**	**(84,706)**	(78,921)	**(154,264)**	(132,683)
Transport improvement expenditure		**(1,826)**	**-**	(1,262)	**(1,826)**	(1,262)
Total operating expenditure		**(388,716)**	**(381,606)**	(312,844)	**(491,435)**	(415,792)
Operating surplus/(deficit) before other items and tax		**(2,990)**	**12,468**	1,069	**(22,875)**	(25,311)
Share of associate's surplus/(deficit)		**-**	**-**	-	**10,311**	23,081
Earthquake related items:						
Insurance deductible expenses	8	**-**	**-**	-	**(24,220)**	(33,628)
Impairment of assets	8	**-**	**-**	-	**(3,271)**	(2,596)
Earthquake costs	8	**-**	**-**	-	**(2,174)**	-
Net insurance recovery - associates	8	**-**	**-**	-	**90,382**	55,583
Other fair value changes						
Gain / (loss) financial instruments	7	**(25,725)**	**8,907**	(8,684)	**(25,725)**	94
Fair value gain/(loss) on investment property	20	**-**	**-**	-	**1,021**	(975)
Total fair value movements		**(25,725)**	**8,907**	(8,684)	**36,013**	18,478
Surplus/(deficit) before tax		**(28,715)**	**21,375**	(7,615)	**23,449**	16,248
Tax (expense)/benefit	9	**-**	**-**	-	**1,818**	1,254
Surplus from continuing operations		**(28,715)**	**21,375**	(7,615)	**25,267**	17,502
Operating surplus / (deficit) after tax		**(28,715)**	**21,375**	(7,615)	**25,267**	17,502
Other comprehensive revenue and expenses						
Revaluation gain/(loss) on infrastructure assets after tax		**8,056**	**1,140**	195,041	**68,318**	195,041
Deferred Tax recognised in reserves		**-**	**-**	-	**(16,874)**	-
Increases / (decreases) in valuations of other financial assets		**4,126**	**-**	-	**4,126**	-
Total other comprehensive income		**12,182**	**1,140**	195,041	**55,570**	195,041

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Date - 10 September 2019 Time - 11:11 a.m.

Greater Wellington Regional Council
Statement of Comprehensive Revenue and Expense
For the year ended 30 June 2019

Total comprehensive income	**(16,533)**	**22,515**	187,426	**80,837**	212,543

Surplus is attributable to:

Greater Wellington Regional Council
Statement of Comprehensive Revenue and Expense
For the year ended 30 June 2019

Attributed to:					
Equity holders of the Parent	**(16,533)**	**22,515**	187,426	**63,989**	203,743
Non-controlling interest	**-**	**-**	-	**16,848**	8,800
	(16,533)	**22,515**	187,426	**80,837**	212,543

Greater Wellington Regional Council
Statement of Financial Position
As at 30 June 2019

	Note	Council Actual 2019 $'000	Council Budget 2019 $'000	Council Actual 2018 $'000	Group Actual 2019 $'000	Group Actual 2018 $'000
ASSETS						
Current assets						
Cash and cash equivalents	11	**16,857**	**18,915**	5,308	**108,585**	7,622
Trade and other receivables	12	**38,452**	**31,375**	37,674	**49,498**	46,937
Other financial assets	14	**79,382**	**32,928**	73,056	**79,382**	73,056
Inventories	13	**3,058**	**-**	3,097	**4,898**	4,448
Derivatives	22	**-**	**-**	206	**-**	206
Other current assets	8	**-**	**-**	-	**50,000**	59,268
Total current assets		**137,749**	**83,218**	119,341	**292,363**	191,537
Non-current assets						
Other financial assets	14	**69,557**	**41,280**	21,801	**25,557**	21,801
Property, plant and equipment	17	**1,217,791**	**1,269,526**	1,164,799	**1,813,479**	1,702,425
Intangible assets	18	**10,419**	**-**	10,487	**13,513**	13,698
Investment in subsidiaries	21	**269,295**	**289,412**	256,595	**-**	-
Investment properties	20	**-**	**-**	-	**54,904**	13,679
Derivatives	22	**1,056**	**-**	450	**1,056**	450
Investments accounted for under the equity method		**-**	**-**	-	**578**	487
Deferred tax assets	10	**-**	**-**	-	**24,919**	21,332
Investments in joint ventures	15	**-**	**-**	-	**(190)**	74,584
Total non-current assets		**1,568,118**	**1,600,218**	1,454,132	**1,933,816**	1,848,456
Total assets		**1,705,867**	**1,683,436**	1,573,473	**2,226,179**	2,039,993
LIABILITIES						
Current liabilities						
Derivatives	22	**1,247**	**-**	671	**1,247**	671
Trade and other payables	23	**47,171**	**42,642**	41,737	**59,069**	48,577
Interest bearing liabilities	24	**64,713**	**126,800**	99,622	**64,713**	121,662
Employee benefits liabilities and provisions	25	**3,324**	**-**	2,790	**7,019**	6,310
Income tax payable		**-**	**-**	-	**2,821**	-
Total current liabilities		**116,455**	**169,442**	144,820	**134,869**	177,220
Non-current liabilities						
Interest bearing liabilities	24	**402,800**	**346,917**	280,000	**402,800**	324,080
Derivatives	22	**66,173**	**-**	41,047	**66,173**	41,047
Deferred tax liabilities	10	**-**	**-**	-	**125,347**	109,566
Employee benefits liabilities and provisions	25	**137**	**-**	194	**419**	839
Service concession liability	17	**29,425**	**-**	-	**29,425**	-
Total non-current liabilities		**498,535**	**346,917**	321,241	**624,164**	475,532
Total liabilities		**614,990**	**516,359**	466,061	**759,033**	652,752
Net assets		**1,090,877**	**1,167,077**	1,107,412	**1,467,146**	1,387,241
EQUITY						
Retained earnings		**302,966**	**385,044**	332,077	**565,718**	559,163
Other reserves		**787,911**	**782,033**	775,335	**831,394**	773,967
Minority interest		**-**	**-**	-	**70,034**	54,111
Total equity		**1,090,877**	**1,167,077**	1,107,412	**1,467,146**	1,387,241

Greater Wellington Regional Council
Statement of Financial Position
As at 30 June 2019
(continued)

Chris Laidlaw	Greg Campbell	Alan Bird
Chair	Chief Executive	Chief Financial Officer
2 October 2019	2 October 2019	2 October 2019

Greater Wellington Regional Council
Statement of Changes in Equity
For the year ended 30 June 2019

	Note	Council Actual 2019 $'000	Council Budget 2019 $'000	Council Actual 2018 $'000	Group Actual 2019 $'000	Group Actual 2018 $'000
Opening Equity		**1,107,412**	**1,144,562**	919,986	**1,387,241**	1,175,159
Operating surplus /(deficit) after tax		**(28,715)**	**22,515**	(7,615)	**25,267**	17,501
Dividend to non-controlling interest		**-**	**-**	-	**(924)**	(462)
Asset revaluation movements		**8,056**	**-**	195,041	**51,444**	195,041
Revaluation movement of other financial assets		**4,126**	**-**	-	**4,126**	-
Total closing equity at 30 June		**1,090,877**	**1,167,077**	1,107,412	**1,467,146**	1,387,241
Components of equity						
Asset revaluation reserves						
Opening asset revaluation reserves		**738,940**	**751,871**	543,869	**722,129**	527,058
Increase/(Decrease) in asset Revaluation Reserve		**8,056**	**1,140**	195,041	**68,318**	195,041
Deferred tax on other comprehensive revenue		**-**	**-**	-	**(16,874)**	-
Transfers from/(to) accumulated funds		**1,864**	**-**	30	**1,864**	30
Closing asset revaluation reserve		**748,860**	**753,011**	738,940	**775,437**	722,129
Other reserves						
Opening other reserves		**36,395**	**32,909**	37,347	**36,350**	37,302
Transfers to accumulated funds		**4,693**	**(3,887)**	(6,348)	**4,693**	(6,348)
Transfers from accumulated funds		**(7,209)**	**-**	4,167	**(7,209)**	4,167
Interest earned		**1,048**	**-**	1,229	**1,045**	1,229
Closing other reserves		**34,927**	**29,022**	36,395	**34,879**	36,350
Retained earnings						
Opening accumulated funds		**332,077**	**359,782**	338,770	**628,765**	610,804
Operating surplus / (deficit) after tax		**(28,715)**	**22,515**	(7,615)	**25,267**	17,501
Interest allocated to reserves		**(1,048)**	**-**	(1,229)	**(1,048)**	(1,229)
Other transfers to reserves		**(4,693)**	**-**	(4,167)	**(4,693)**	(4,167)
Transfers from reserves		**7,209**	**-**	6,348	**7,209**	6,348
Dividend to non-controlling interest		**-**	**-**	-	**(929)**	(462)
Other transfers from/(to) reserves		**(1,864)**	**2,747**	(30)	**(1,864)**	(30)
Revaluation movement of other financial assets		**4,126**	**-**	-	**4,126**	-
Closing accumulated funds		**307,092**	**385,044**	332,077	**656,833**	628,765
Total closing equity at 30 June		**1,090,877**	**1,167,077**	1,107,412	**1,467,146**	1,387,241

Greater Wellington Regional Council
Statement of Cash Flow
For the year ended 30 June 2019

	Note	Council Actual 2019 $'000	Council Budget 2019 $'000	Council Actual 2018 $'000	Group Actual 2019 $'000	Group Actual 2018 $'000
Receipts from customers		**-**	**-**	-	**83,751**	70,669
Rates revenue received		**133,614**	**132,111**	121,372	**133,614**	121,372
Water supply levy received		**33,069**	**33,069**	30,863	**33,069**	30,863
Government subsidies received		**95,495**	**105,713**	83,829	**95,494**	83,829
Interest received		**4,908**	**4,282**	4,313	**5,547**	4,355
Dividends received		**1,973**	**-**	105	**173**	605
Rent income		**-**	**-**	-	**6,390**	6,599
Fees, charges and other revenue		**120,173**	**118,899**	71,749	**119,339**	69,060
Payments to suppliers and employees		**(335,966)**	**(332,591)**	(127,290)	**(231,374)**	(202,296)
Payment of grants and subsidies		**-**	**-**	(148,056)	**(160,427)**	(135,872)
Interest paid		**(23,157)**	**(22,528)**	(18,783)	**(24,410)**	(31,282)
Income tax paid / (refund)		**-**	**-**	-	**(1,089)**	1,535
Business loss of rents	8	**-**	**-**	-	**-**	8,477
Temporary works	8	**-**	**-**	-	**6,622**	(36,678)
Business Interruption Temporary works	8	**-**	**-**	-	**(22,740)**	33,628
Net cash from (used in) operating activities	26	**30,109**	**38,955**	18,102	**43,959**	24,864
Cash flows from investing activities						
Receipts from sale of property, plant, and equipment	16	**207**	**1,614**	515	**666**	744
Earthquake insurance payments received		**-**	**-**	-	**68,808**	16,895
Sale of investments (bonds & term deposits)		**22**	**-**	-	**22**	-
Cash balance from acquired joint venture		**-**	**-**	-	**47,944**	16,758
		229	**1,614**	515	**117,440**	34,397
Purchase of property, plant and equipment		**(41,493)**	**(98,021)**	(58,446)	**(62,785)**	(73,176)
Purchase of intangible assets		**(106)**	**-**	(16)	**(2,743)**	(174)
Development of investment properties		**-**	**-**	-	**-**	(2,707)
Acquisition of investments		**(65,081)**	**(30,748)**	(7,349)	**(8,381)**	101
EQ capital expenditure		**-**	**-**	-	**(8,263)**	(6,141)
Investment in joint venture		**-**	**-**	-	**-**	(7,750)
Other transfer		**-**	**-**	-	**885**	(90)
Net cash flow from investing activities		**(106,451)**	**(127,155)**	(65,296)	**36,153**	(55,540)
Cash flows from financing activities						
Loan funding		**87,891**	**85,184**	52,156	**87,891**	-
Loan funding		**-**	**-**	-	**-**	52,156
Debt repayment		**-**	**6,767**	-	**(62,080)**	(18,000)
Dividends paid to non-controlling interests		**-**	**-**	-	**(923)**	(462)
Net cash from financing activities		**87,891**	**91,951**	52,156	**24,888**	33,694

Greater Wellington Regional Council
Statement of Cash Flow
For the year ended 30 June 2019
(continued)

Net increase / (decrease) in cash and cash equivalents		**11,549**	**3,751**	4,962	**105,000**	3,018
Cash and cash equivalents at the beginning of year		**5,308**	**15,164**	346	**3,585**	567
Cash, cash equivalents, and bank overdrafts at the end of the year	11	**16,857**	**18,915**	5,308	**108,585**	3,585

Greater Wellington Regional Council
Funding Impact Statement
For the year ended 30 June 2019

	Council			
	Actual 2019 $'000	**Budget 2019 $'000**	Actual 2018 $'000	Budget 2018 $'000
Sources of operating funding				
General rate	47,510	47,283	41,351	42,479
Targeted rates	84,163	84,828	80,779	81,482
Subsidies and grants for operating purposes	85,122	81,274	69,058	89,351
Interest and dividends from investments	7,307	4,282	4,506	3,043
Fees and charges	97,385	100,931	52,929	53,783
Fines, infringement fees, and other receipts 1	55,632	51,037	51,021	40,979
Total operating funding	377,119	369,635	299,644	311,117
Applications of operating funding				
Payments to staff and suppliers	(340,108)	(332,591)	(275,694)	(273,587)
Finance costs	(23,288)	(22,528)	(19,608)	(19,686)
Total applications of operating funding	(363,396)	(355,119)	(295,302)	(293,273)
Surplus / (deficit) of operating funding	13,723	14,516	4,342	17,844
Sources of capital funding				
Subsidies and grants for capital expenditure	11,423	24,439	16,407	7,202
Increase / (decrease) in debt	113,319	88,064	45,924	52,731
Gross proceeds from asset sales	107	1,214	515	416
Total sources of capital funding	124,849	113,717	62,846	60,349
Applications of capital funding				
- to meet additional demand	(2,404)	(4,267)	(262)	(5,976)
- to improve the level of service	(23,595)	(36,151)	(49,231)	(41,635)
- to replace existing assets	(45,917)	(57,604)	(8,969)	(16,931)
Increase / (decrease) in investments	(68,125)	(34,098)	(9,678)	(21,208)
Increase / (decrease) in reserves	1,469	3,887	952	7,557
Total applications of capital funding	(138,572)	(128,233)	(67,188)	(78,193)
Surplus / (deficit) of capital funding	(13,723)	(14,516)	(4,342)	(17,844)
Funding balance	0	0	0	0
Depreciation on council assets	**25,267**	**26,434**	18,644	17,930
Water supply levy	**33,069**	**33,069**	30,863	30,863

1 This includes the Water supply levy charged to Wellington, Upper Hutt, Lower Hutt and Porirua City councils

This statement is not an income statement. It excludes all non-cash transactions such as depreciation and valuations

For more information on the revenue and financing mechanisms, please refer to the "Revenue and Financing Policy" in the Long Term Plan 2018-28

All figures on this page exclude GST

Financial reserves

We have two types of council created reserves, which are monies set aside by the council for a specific purpose:
- Retained earnings – any surplus or deficit not transferred to a special reserve is aggregated into retained earnings
- Other reserves – any surplus or deficit or specific rate set aside or utilised by council for a specific purpose. Reserves are not separately held in cash and funds are managed as part of Greater Wellington's treasury risk management policy.

Other reserves are split into four categories:
- Area of Benefit reserves – any targeted rate funding surplus or deficit is held to fund future costs for that area
- Contingency reserves – funds that are set aside to smooth the impact of costs associated with specific unforeseen events
- Special reserves – funds that are set aside to smooth the costs of irregular expenditure
- Re-budgeted reserves – expenditure that has been rated for in one year when the project will not be completed until the following year.

Council created reserves	Purpose of the fund	Opening balance Jul-18 $'000	Deposits $'000	Withdrawals $'000	Closing balance Jun-19 $'000
Area of benefit reserves					
Regional Parks reserve	Any funding surplus or deficit relating to the provision of regional parks is used only on subsequent regional parks expenditure	**407**	**7**	**(360)**	**54**
Public transport reserve	Any funding surplus or deficit relating to the provision of public transport services is used only on subsequent public transport expenditure	**14,463**	**471**	**(2,159)**	**12,775**
Transport planning reserve	Any funding surplus or deficit relating to the provision of public transport planning services is used only on subsequent public transport planning expenditure	**960**	**31**	**-**	**991**
WRS reserve	Any funding surplus or deficit relating to the Wellington Regional Strategy implementation is used only on subsequent Wellington Regional Strategy expenditure.	**1,282**	**35**	**(339)**	**978**
Iwi reserve	Any funding surplus or deficit relating to the provision of iwi project fund is used only on subsequent iwi project funding expenditure	**353**	**12**	**-**	**365**
WREMO reserve	Contributions by other local authorities to run the WREMO	**82**	**3**	**(61)**	**24**
Catchment scheme reserves	Any funding surplus or deficit relating to the provision of flood protection and catchment management schemes is used only on subsequent flood protection and catchment management expenditure	**7,887**	**1,034**	**(833)**	**8,088**
Land management reserves	Any funding surplus or deficit relating to the provision of targeted land management schemes is used only on subsequent land management expenditure	**2,510**	**412**	**(180)**	**2,742**
Contingency reserves					
Environmental legal reserve	To manage the variation in legal costs associated with resource consents and enforcement	**231**	**8**	**-**	**239**
Flood contingency reserves	To help manage the costs for the repair of storm damage throughout the region.	**2,532**	**286**	**-**	**2,818**
Rural fire reserve	To help manage the costs of rural fire equipment.	**74**	**2**	**-**	**76**

Special reserves					
Election reserve	To manage the variation in costs associated with the election cycle	**257**	**59**	**-**	**316**
Corporate systems reserve	To manage the variation in costs associated with key IT infrastructure and software.	**2,309**	**415**	**(1,200)**	**1,524**
Long term plan reserve	to manage variation in costs associated with Long term plan process	**410**	**13**	**-**	**423**
		-	**-**	**-**	**-**
Re-budget reserve					
Rebudgeted reserve	Expenditure that has been rated for in 2016/17 when the project will not be completed until 2017/18	**2,077**	**2,953**	**(2,077)**	**2,953**
Earthquake proceeds reserve	to manage future repair and maintenance due to Kaikoura earthquake	**562**	**-**	**-**	**562**
		36,395	**5,741**	**(7,209)**	**34,927**

All figures on this page exclude GST

Greater Wellington Regional Council
Debt
As at 30 June 2019

	Opening balance 2018 $'000	Additions $'000	Repayments $'000	Closing balance 2019 $'000	Finance costs $'000
Regional leadership					
Strategic planning	177	90	(99)	168	11
Wairarapa water use project	3,299	158	-	3,457	174
Warm Wellington	11,196	1,360	(2,831)	9,725	591
Public transport					
Public transport	227,710	21,103	(10,921)	237,892	12,278
Water supply					
Water supply	87,001	7,893	(3,960)	90,934	4,706
Environment					
Environment	4,439	1,077	(530)	4,986	236
Flood protection and control works					
Flood protection and control works	92,663	14,740	(4,746)	102,657	5,183
Parks					
Parks	7,684	2,001	(706)	8,979	447
Investments					
Stadium	-	-	-	-	-
Property and other	33,504	3,196	(1,790)	34,910	1,922
	467,673	51,618	(25,583)	493,708	25,548

	Council Actual 2019 $'000
Total activities debt	493,708
Treasury internal funding (1)	(26,195)
	467,513
External debt (current)	64,713
External debt (non-current)	402,800
	467,513

(1) Greater Wellington Regional Council manages community outcome debt via an internal debt function. External investments and debt are managed through a central treasury management function in accordance with the Treasury Management Policy

All figures on this page exclude GST

1 Reporting entity

1.1 Reporting entity

Greater Wellington Regional Council (GWRC) is a regional local authority governed by the Local Government Act 2002. GWRC principal address is 2 Fryatt Quay, Wellington, New Zealand. The Group consists of GWRC and its subsidiaries as disclosed below.

The Council provides water, parks, transport, infrastructure, environmental regulation and monitoring to the Greater Wellington region for community and social benefit, rather than to make a financial return. Accordingly GWRC has designated itself and the Group as public benefit entities (PBE's) and applies New Zealand Tier 1 Public Sector Public Benefit Entity accounting standards (PBE Accounting Standards).

Statement of compliance

The Group financial statements have been prepared in accordance with the requirements of the Local Government Act 2002 and the New Zealand Generally Accepted Accounting Practices (NZ GAAP).

These financial statements are prepared in accordance with Tier 1 PBE accounting standards, and comply with PBE Standards.

The financial statements of GWRC are for the year ended 30 June 2019. The financial statements were authorised for issue by Council on 10 October 2019.

Accounting judgements and estimations

The preparation of financial statements in conformity with PBE Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These results form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised, when the revision affects only that period. If the revision affects current and future periods, it is reflected in those periods.

(i) **Property, Plants and Equipment and Investment Property**

Operational Port Land was re-valued as at 30 June 2017. Investment property was revalued to fair value as at 30 June 2019.

The board and management have undertaken a process to determine what constitutes Investment Property and what constitutes Property, Plant and Equipment. There is an element of judgement in this. There is a development Port plan, and those items of land that are considered integral to the operations of the port have been included in Operational Port Land. Land held specifically for capital appreciation or to derive rental income has been classed as Investment Property.

(ii) **Capital Works in Progress**

This includes capital projects requiring resource consent to proceed. The Board and management regularly review these projects to determine whether the assumptions supporting the project proceeding continue to be valid. The Capital Works in Progress balance is carried forward on the basis the project have been determined to proceed.

(iii) **Joint Control of Harbour Quays Special Purpose Vehicles (SPVs)**

Note 15 describes Harbour Quay A1 Limited, Harbour Quays D4 Limited and Harbour Quays F1F2 Limited (the SPVs) as joint ventures of the Group although the SPVs are owned by CentrePort Properties Limited, a subsidiary of the CentrePort. The SPVs have issued mandatory convertible notes to the Accident Compensation Corporation (ACC). These notes provide the ACC with joint control over the SPVs. The SPVs have been accounted for as joint ventures of the Group.

In addition, management has made the estimations and judgements on the useful life of assets as stated per note 2 – Depreciation and Financial Instruments categories in note 27 (e).

(iv) **Revenue recognition relating to insurance revenue from the Port insurance claim**

See note 8 *for details*

1 Reporting entity (continued)

(v) **Earthquake uncertainties in the accounting for Harbour Quays Special Purpose Vehicles (SPV's)**

See note 15 *for details*

(vi) **Income tax calculations**

See note 9 *for details*

2 Accounting policies

2.1 Basis of preparation

The consolidated financial statements are presented in New Zealand dollars, rounded to the nearest thousand. The functional currency of the Group is New Zealand dollars. The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, forestry assets, derivative financial instruments and certain infrastructural assets that have been measured at fair value.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements with those used at 30 June 2019.

2.2 Significant event – Kaikoura earthquake 14 November 2016

A 7.8 magnitude earthquake struck in the early hours of 14 November 2016 in Kaikoura which had a significant impact on the CentrePort Limited Group. The earthquake extensively damaged the Port infrastructure, land and investment properties. The effect of these quakes are reflected in these financial statements based on the information available to the date these financial statements are signed. Detailed engineering assessments have not been completed at the date of these financial statements and the final insurance proceeds are unknown.

(i) Impairment of Assets

Engineering damage assessments have been completed and submitted to the insurers. In completing the damage assessments further damage arising from the earthquake has been identified resulting in a further $2.6m impairment being recognised during the year (2018: $1.9m). An impairment of $0.7m (2018: $0.6m) has been taken to investment property for higher than forecasted costs of repairs.

(ii) Revenue Recognition – Insurance Revenue

An estimate of the amount recoverable for Business Interruption and Loss of Rents has been made for the period in which the revenue and expenses are recorded and is included as Insurance income receivable. The insurers have made progress payments towards the material damage insurance claim and this is recorded as income on the basis it is known. The total amount recoverable for Material Damage under the insurance claim is not yet known and is not recorded.

2.3 Basis of consolidation

The consolidated financial statements include GWRC and its subsidiaries. Subsidiaries are those entities controlled directly or indirectly by the Parent. The financial statements of subsidiaries are included in the consolidated financial statements using the purchase method. A list of subsidiaries appears in note 20.

The minority interest represents Manawatu-Wanganui Regional Council's 23.1% share of CentrePort Limited. GWRC's investment in subsidiaries is held at cost in its own "Parent entity" accounts.

Associates are entities in which the Group has significant influence but not control over their operations. GWRC's share of the assets, liabilities, revenue and expenditure are included in the financial statements of the Group on an equity accounting basis.

All significant intercompany transactions are eliminated on consolidation.

Interests in Joint Ventures

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

2 Accounting policies (continued)

The results, assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated Balance Sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture.

An investment is accounted for using the equity method from the date on which the investee becomes a joint venture.

The requirements of PBE IPSAS 26 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with PBE IPSAS 26 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with PBE IPSAS 26 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group, profit and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interest in the joint venture that are not related to the Group.

2.4 Revenue

Revenue is recognised when billed or earned on an accrual basis.

(i) Rates and levies
Rates and levies are a statutory annual charge and are recognised in the year the assessments are issued.

(ii) Government grants and subsidies
GWRC receives government grants from the New Zealand Transport Agency. These grants subsidise part of GWRC's costs for the following – the provision of public transport subsidies to external transport operators, the capital purchases of rail rolling stock within a GWRC subsidiary and transport network upgrades owned by KiwiRail. The grants and subsidies are recognised as revenue when eligibility has been established by the grantor. Other grants and contributions from territorial local authorities are recognised as revenue when eligibility has been established by the grantor.

(iii) User charges
Revenue from user charges is recognised when billed or earned on an accrual basis

(iv) Dividends
Revenue from dividends is recognised on an accrual basis (net of imputation credits) once the shareholder's right to receive payment is established.

(v) Interest
Interest is accrued using the effective interest rate method. The effective interest rate method discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(vi) Sales of goods
Other revenue is recognised when billed or earned on an accrual basis. Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as revenue. Assets vested in the Group are recognised as revenue when control over the asset is obtained.

2.5 Borrowing costs capitalised

Borrowing costs are recorded at amortised cost. Borrowing costs directly attributable to capital construction are capitalised as part of the cost of those assets. All other borrowing costs are recognised as an expense in the period in which they are incurred.

2.6 Property, plant and equipment

Property, plant and equipment consists of operational and infrastructure assets. Expenditure is capitalised when it creates a new asset or increases the economic benefits over the total life of an existing asset. Costs that do not meet the criteria for capitalisation are expensed.

The initial cost of property, plant and equipment includes the purchase consideration and those costs that are directly attributable to bringing the asset into the location and condition necessary for its intended purpose.

2 Accounting policies (continued)

Property, plant and equipment are categorised into the following classes:

- Port buildings, wharves and paving
- Operational port freehold land
- Operational land and buildings
- Operational plant and equipment
- Operational vehicles
- Flood protection infrastructural assets
- Transport infrastructural assets
- Rail rolling stock
- Navigational aids infrastructural assets
- Parks and forests infrastructural assets
- Capital work in progress
- Regional water supply infrastructural assets

All property, plant and equipment are initially recorded at cost.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

Revaluation
Infrastructural assets are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every five years, except operational port freehold land which is valued every three years.

Revaluation movements are accounted for on a class-of-asset basis. The fair value of revalued assets is recognised in the financial statements of the Group and reviewed at the end of each reporting period to ensure that the carrying value is not materially different from its fair value. Any revaluation increase in the class-of-asset is recognised in other comprehensive revenue and expenses and accumulated as a separate component of equity in the asset revaluation reserve, except to the extent it reverses a previous revaluation decrease for the same asset previously recognised in the statement of revenue and expenses, in which case the increase is credited to the statement of revenue and expenses to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is charged to the statement of revenue and expenses to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation.

The following assets are revalued every five years:

Flood protection
The flood protection infrastructure assets were valued at 30 June 2017 using Optimised Depreciated Replacement Cost (ODRC) methodology in accordance with the guidelines published by the National Asset Management Steering (NAMS) Group.

The valuations were carried out by a team of qualified and experienced flood protection engineers from within the Flood Protection department. The asset valuation was reviewed by John Vessey, Principal Engineering Economist and Opus International Consultants. He concluded that the 2017 valuation of Greater Wellington's flood protection assets is deemed acceptable and appropriate for financial reporting purposes.

Western flood protection land was valued as at 30 June 2017 by Martin Veale ANZIV, SPINZ & Brian Whitaker ANZIV, SPINZ, using a derived value rate per hectare, based on sales data of rural and reserve land from recognised valuation sources which reflects fair value. Baker & Associates valued Wairarapa flood protection land as at 30 June 2017. Land valuation was completed by Stuart McCoshim MRICS, MPINZ, using comparison to market sales of comparable type land in similar locations to each parcel, which reflects fair value.

2 Accounting policies (continued)

Parks and forests
The parks and forests land and buildings were valued at 30 June 2018. Land and improvements have been valued using the market value methodology by Fergus Rutherford, registered valuer of Baker and Associates Limited. Roads, fences, bridges, tracks and other park infrastructure were valued at 30 June 2018 and have been valued using ODRC methodology by Bronek Kazmierow, Parks Principal Ranger - Assets and Maintenance. Peter Ollivier, Senior Project Director of Calibre Consulting Limited reviewed the unit rate methodology.

Public transport
Operational assets and rail infrastructural and rolling stock are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value. They are revalued every five years.

GWRL public transport rail station infrastructural assets and rolling stock were independently valued by John Freeman, FPINZ, TechRICS, MACostE, Registered Plant and Machinery Valuer, a Director of Bayleys Valuations Limited as at 30 June 2019 using Optimised Depreciated Replacement Cost (ODRC) methodology.

Regional water supply
Regional water supply infrastructure assets were valued by John Freeman as at 30 June 2018 using ODRC methodology. Water supply buildings were revalued by Paul Butcher, BBS, FPINZ, Registered Valuer, a Director of Bayleys Valuations Limited as at 1 July 2018 using ODRC methodology.

Water urban-based land assets were valued by Telfer Young (Martin J Veale, Registered Valuer, ANZIV, SPINZ) as at 30 June 2018 using current market value methodology in compliance with PINZ professional Practice (Edition 5) Valuation for Financial Reporting and NZ IFRS re Property Valuations.

Water catchment and rural-based assets were valued by Baker & Associates (Fergus T Rutherford, Registered valuer, BBS (VPM), ANZIV) as at 30 June 2018 using current market value methodology in compliance with PINZ Professional Practice (Edition 5) Valuation for Financial Reporting and NZ IAS 16 Property Valuation.

Greater Wellington Regional Council Group (including CentrePort Limited)
Operational Port Land is stated at fair value at the date of revaluation less any subsequent impairment losses. Fair value is determined by reference to the highest and best use of land as determined by the independent valuer. Operational Port Land was last independently valued by Bayleys, a registered valuer, on 30 June 2017. The Directors are satisfied that there has not been a material movement in the fair value as at 30 June 2019.

The fair value of operational port freehold land is recognised in the financial statements of the Group and reviewed at the end of each reporting period to ensure that the carrying value of land is not materially different from its fair value. Any revaluation increase of operational port land is recognised in other comprehensive revenue and expenses and accumulated as a separate component of equity in the properties revaluation reserve, except to the extent it reverses a previous revaluation decrease for the same asset previously recognised in the statement of revenue and expenses, in which case the increase is credited to the statement of revenue and expenses to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is charged to the statement of revenue and expenses to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation.

At 30 June 2011 the Group purchased the Metropolitan rail assets from Kiwi Rail wholly owned by the New Zealand Government.

The consideration for these assets which includes stations, platforms, and rail rolling stock was for a nominal consideration of $1.00.

The assets were recognised in the Group accounts via the statement of revenue and expense. Greater Wellington Rail public transport rail station infrastructural assets and its rolling stock were valued by Bayleys using ODRC methodology at 30 June 2014.

Any increase in the value on revaluation is taken directly to the asset revaluation reserve. However, if it offsets a previous decrease in value for the same asset recognised in the statement of revenue and expenses, then it is recognised in the statement of revenue and expenses. A decrease in the value on revaluation is recognised in the statement of revenue and expense where it exceeds the increase of that asset previously recognised in the asset revaluation reserve.

Property, Plant & Equipment is recorded at cost less accumulated depreciation and impairment. Cost represents the value of the consideration to acquire the assets and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service. All Property, Plant & Equipment is depreciated, excluding land.

2 Accounting policies (continued)

Additions

The cost of an item of property, plant, and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and group and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition. Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and group and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

Disposals

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

Depreciation

Depreciation is provided on a straight-line basis on all tangible property, plant and equipment, other than land and capital works in progress, at rates which will write off assets, less their estimated residual value over their remaining useful lives.

The useful lives of major classes of assets have been estimated as follows:

Port, wharves and paving	10 to 50 years
Operational port freehold land	Indefinite
Operational land	Indefinite
Operational buildings	10 to 75 years
Operational plant and equipment	2 to 40 years
Operational vehicles	2 to 37 years
Flood protection infrastructural assets	2 years to indefinite
Transport infrastructural assets	3 to 50 years
Rail rolling stock	5 to 35 years
Navigational aids infrastructural assets	1 to 80 years
Parks and forests infrastructural assets	2 to 155 years
Regional water supply infrastructural assets	3 to 156 years
Right to use	20 years

Capital work in progress is not depreciated. Stopbanks included in the flood protection infrastructure asset class are maintained in perpetuity. Annual inspections are undertaken to ensure design standards are being maintained and to check for impairment. As such, stopbanks are considered to have an indefinite life and are not depreciated.

Impairment of property, plant, and equipment

Property, plant, and equipment that have a finite useful life are reviewed for impairment at each balance date and 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 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.

2 Accounting policies (continued)

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit. For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return. The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

2.7 Intangible assets

Software is a finite life intangible and is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives between 1 and 5 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

New Zealand Emission Trading Scheme
New Zealand Units (NZU's) received for pre 1990 forests are recognised at fair value on the date received. They are recognised as an asset in the balance sheet and income in the statement of revenue and expense. The deforestation contingency is not recognised as a liability as there is no current intention of changing the land use. The estimated liability that would arise should deforestation occur has been estimated in the notes to the accounts.

NZU's in respect of post 1989 forests are recognised at fair value on the date received. As trees are harvested or carbon stocks decrease a liability and expense will be recognised for the NZU's to be surrendered to Government.

Subsequently to initial recognition NZUs are revalued annually though the revaluation reserve.

2.8 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured at its fair value at the reporting date. Gains or losses arising from changes in fair value of investment property are included in statement of comprehensive income in the period in which they arise.

The Group has the following classes of Investment Property:

1. Developed investment properties
2. Land available for development
3. Lessors interest

Shed 39 is treated as an investment property within the WRC Holdings Group, and as property, plant and equipment within the Group's accounts. Gains or losses arising from changes in fair value of investment properties are included in the statement of revenue and expense in the period in which they arise.

2 Accounting policies (continued)

2.9 Other financial assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

The Group's financial assets are categorised as follows:

- Financial assets at fair value accounted through operating surplus or deficit

  Financial assets are classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Gains or losses on re-measurement are recognised in operating surplus or deficit. Financial assets acquired principally for the purpose of selling in the short term or part of a portfolio classified as held for trading are classified as a current asset. The current / non-current classification of derivatives is explained in the derivatives accounting policy below.

- Financial assets at fair value accounted through other comprehensive revenue and expenses

  Financial assets are classified in this category if they were not acquired principally for selling in the short term. After initial recognition, these assets are measured at their fair value. Any gains and losses are recognised directly to equity, except for impairment losses which are recognised in other comprehensive revenue and expenses.

- Financial assets available-for-sale

  Financial assets are either designated in this category or not classified in any of the other categories. Available-for-sale financial assets are initially recorded at fair value plus transaction costs when it can be reliably estimated. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised directly through equity. If there is no active market, no intention to sell the asset and fair value cannot be reliably measured, the item is measured at cost.

- Loans and receivables

  These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets. After initial recognition they are measured at amortised costs using the effective interest method. Gains and losses when the asset is impaired or sold are accounted for in the statement of revenue and expenses.

- Held to maturity investments

  These are assets with fixed or determinable payments with fixed maturities that the Group has the intention and ability to hold to maturity.

  After initial recognition they are recorded at amortised cost using the effective interest method. Gains and losses when the asset is impaired or settled are recognised in the statement of revenue and expenses.

Impairment of financial assets

(i) **Loans and other receivables, and held to maturity investments:**

Impairment is established when there is objective evidence that the group will not be able to collect amounts according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default payments are considered indicators that an asset is impaired. The amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables the carrying amount of the asset is reduced through the use of an allowance account, and the amount of loss is recognised as a surplus or deficit. When the receivable is uncollectible it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits, local authority stock, and government stock, are recognised directly against the instrument's carrying amount.

2 Accounting policies (continued)

(ii) **Financial assets at fair value through other comprehensive revenue and expense**

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment. For debt investments, significant financial difficulties, probability that the debtor will enter bankruptcy, and default payments are considered indicators that asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive income, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive revenue and expenses is reclassified from equity to the statement of revenue and expenses.

Equity investment impairment losses recognised in the surplus or deficit are not reversed through the statement of revenue and expenses.

If in a subsequent period fair value of a debt instrument increases, and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the statement of revenue and expenses.

Cash and cash equivalents comprise cash balances and call deposits with up to three months maturity from the date of acquisition. These are recorded at their nominal value.

Other financial assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial liabilities

Financial liabilities comprise trade, other payables and borrowings. Financial liabilities with duration of more than 12 months are recognised initially at fair value less transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method. Amortisation is recognised in the statement of revenue and expenses, as is any gain or loss when the liability is settled. Financial liabilities entered into with duration of less than 12 months are recognised at their nominal value.

2.10 New Zealand Local Government Funding Agency

GWRC is a shareholder of the New Zealand Local Government Funding Agency Limited (NZLGFA). The NZLGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current credit rating from Standard and Poor's of AA+.

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

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

2.11 Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 Accounting policies (continued)

2.12 Income tax

Recognition and Measurement

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

Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. 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.

Current tax and deferred tax are measured using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

2.13 Foreign currency

In the event that the Group has any material foreign currency risk, it will be managed by derivative instruments to hedge the currency risk.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at balance date are translated to New Zealand dollars at the foreign exchange rate ruling at that date. Foreign exchange gains and losses arising on their translation are recognised in the statement of revenue and expenses.

2.14 Employee entitlements

A provision for employee entitlements is recognised as a liability in respect of benefits earned by employees but not yet received at balance date when it is probable that settlement will be required and they are capable of being measured reliably. The present value is determined by discounting the future cash flows at a pre tax rate that reflects current market assessments of the time value of money and the risks specific to the liabilities.

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the statement of revenue and expenses as incurred. GWRC belongs to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme. Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

2.15 Provisions

A Provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an amount will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2.16 Goods and services tax

All items in the financial statements are exclusive of GST, with the exception of receivables and payables, which are stated

2 Accounting policies (continued)

as GST inclusive.

2.17 Leases

The Group leases office space, office equipment, vehicles, land, buildings and wharves. Operating lease payments, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased items, are charged as expenses in the periods in which they are incurred.

2 Accounting policies (continued)

Consolidated entity as lessee:

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Consolidated entity as lessor:

Operating leases relate to subleases of properties (excluding land) leased with lease terms between 1 and 12 years, with an option to extend for a further period between 1 to 6 years. All operating lease contracts (excluding land) contain market review clauses. An operating lease relating to land has a term of 125 years. The lessee does not have an option to purchase the property or land at expiry of the lease period.

Lease incentive
In the event that lease incentives are provided to lessees to enter into operating leases, such incentives are recognised as a reduction of rental income on a straight line basis.

2.18 Service concession asset and liability

Greater Wellington (as guarantor) has entered into a service concession arrangement with Tranzit, NZ Bus, and Mana (the Operators) to provide bus services with double decker buses. These buses meet the definition of service concession asset and are initially recognized at fair value and subsequently measured in accordance with PBE IPSAS 32. They are depreciated over a useful life of 30 years on a straight-line basis. An initial financial liability is also recognized which is accounted for using the amortised cost model leading to finance expenses over 15 years.

2.19 Overhead allocation and internal transactions

GWRC allocates overhead from support service functions on a variety of different bases that are largely determined by usage. The treasury operation of GWRC is treated as an internal banking activity. Any surplus generated is credited directly to the statement of revenue and expenses.

Individual significant activity operating revenue and operating expenditure is stated inclusive of any internal revenues and internal charges. These internal transactions are eliminated in the Group's financial statements.

The democratic process costs have not been allocated to significant activities, except where there is a major separate community of benefit other than the whole region, i.e., regional water supply and regional transport.

2.20 Equity

Equity is the community's interest in the Group and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of components to enable clearer identification of the specified uses of equity within the Group. The components of equity are accumulated funds, revaluation reserves and other reserves.

2.21 Statement of cash flow

The following are the definitions used in the statement of cash flows:

(a) Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within cash.

(b) Investing activities are those activities relating to the acquisition and disposal of Property, Plant & Equipment, Investment Property, Intangible Assets and Joint Ventures. Investments include securities not falling within the definition of cash.

(c) Financing activities are those activities that result in the changes in size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to capital structure are included in financing activities.

(d) Operating activities comprise the principal revenue-producing activities of the group and other activities that are not considered to be investing or financing activities.

2.22 Budget figures

The budget figures are those approved by the Council at the beginning of the year in the Long Term Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by GWRC for the preparation of these financial statements.

2 Accounting policies (continued)

2.23 Standards, amendments, and interpretations issued but not yet effective

PBBE IPSAS 36 Disclosures of interest in other entities - effective date 1 January 2019

Requires increased disclosures regarding judgments and assumptions made in determining whether an entity controls, jointly controls or significantly influences another entity.

PBE IFRS 9 Financial Instruments - effective date 1 January 2021

This standard has been released in advance of IPSASB issuing a new financial instruments standard based on IFRS 9. This standard gives mixed groups the opportunity to early adopt a PBE standard that is based on the for profit standard NZ IFRS 9 on the same date that NZ IFRS 9 becomes mandatory in the for-profit sector.

Impairment of revalued assets (amendments to PBE IPSAS 21 and 36) – effective date 1 January 2019

The amendment brings revalued property, plant and equipment and intangible assets within the scope of PBE IPSAS 21 and PBE IPSAS 26.

PBE IPSAS 35 Consolidated financial statements - effective date 1 January 2019

The standard introduces a new definition of control requiring both power and exposure to variable benefits and includes guidance on assessing control.

PBBE IPSAS 37 Joint arrangements - effective date 1 January 2019

Establishes two types of joint arrangements (1) joint operations and (2) joint ventures based on whether the investor has rights to the assets and obligations for the liabilities of the joint arrangement or rights to the net assets of the joint arrangement.

GWRC has not yet completed the assessment of the standard and the impact is not known.

3 Revenue from exchange and non-exchange transactions

	Council			Group	
	Actual 2019 $'000	**Budget 2019 $'000**	Actual 2018 $'000	**Actual 2019 $'000**	Actual 2018 $'000
Revenue from exchange transactions:					
Water supply	**33,069**	**33,069**	30,863	**33,069**	30,863
Subsidiaries revenue	**-**	**-**	-	**64,713**	68,585
Dividends	**1,973**	**1,561**	105	**173**	105
Interest received	**5,355**	**2,721**	4,401	**4,858**	4,401
Rental income	**4,392**	**4,144**	2,862	**27,136**	13,972
Total exchange	**44,789**	**41,495**	38,231	**129,949**	117,926
Revenue from non-exchange transactions:					
General rates	**47,510**	**47,283**	41,351	**47,510**	41,351
Targeted rates	**84,162**	**84,828**	80,780	**84,162**	80,780
Rates, penalties, remissions & rebates	**726**	**-**	656	**726**	656
Grants & subsidises	**85,122**	**81,274**	69,059	**85,122**	77,142
Transport improvement grants	**11,423**	**24,439**	16,406	**11,434**	8,333
Provision of goods & services	**114,909**	**114,996**	69,109	**114,909**	66,420
Total non-exchange	**343,852**	**352,820**	277,361	**343,863**	274,682
Total exchange and non-exchange	**388,641**	**394,315**	315,592	**473,812**	392,608

4 Employee benefits

	Council			Group	
	Actual 2019 $'000	**Budget 2019 $'000**	Actual 2018 $'000	**Actual 2019 $'000**	Actual 2018 $'000
Other employee benefits expense	**45,491**	**47,304**	43,359	**72,708**	68,584
Defined contribution plan employer contributions	**3,065**	**2,685**	2,759	**3,065**	2,759
Total personnel costs	**48,556**	**49,989**	46,118	**75,773**	71,343

5 Depreciation and amortisation

	Council		Group	
	Actual 2019 $'000	Actual 2018 $'000	**Actual 2019 $'000**	Actual 2018 $'000
Port wharves and paving	**-**	-	**1,026**	994
Land and buildings	**597**	329	**942**	760
Plant and equipment	**1,559**	1,631	**6,928**	5,238
Rail rolling stock	**-**	-	**14,619**	14,522
Motor vehicles	**896**	838	**892**	838
Flood protection	**855**	738	**855**	738
Water infrastructure	**15,559**	10,758	**15,559**	10,758
Transport infrastructure	**1,219**	1,088	**5,561**	5,138
Navigational aids	**70**	73	**70**	73
Parks and forests	**2,035**	2,251	**2,035**	2,251
Right to use	**1,544**	-	**1,544**	-
Amortisation - Computer software	**933**	938	**1,100**	1,152
	25,267	18,644	**51,131**	42,462

6 Other operating expenditure

	Council			Group	
	Actual 2019 $'000	**Budget 2019 $'000**	Actual 2018 $'000	**Actual 2019 $'000**	Actual 2018 $'000
Other operating expenses					
Fees to Audit New Zealand for financial statement audits	**240**	**265**	219	**284**	280
Fees to Audit New Zealand for Long-term plan audit	**20**	**-**	140	**20**	140
Fees to Audit New Zealand for other assurance services	**138**	**-**	8	**138**	8
Fees to Deloitte for Centreport Group audit services	**-**	**-**	-	**358**	285
Impairment of trade receivables	**(170)**	**-**	119	**(170)**	119
Rates and insurance	**2,097**	**4,000**	1,669	**11,403**	9,199
Directors' fees	**-**	**-**	-	**523**	531
Subscriptions LGNZ	**490**	**755**	484	**490**	484
Operating lease rentals	**2,639**	**3,449**	2,318	**3,066**	3,199
Energy and utilities	**3,118**	**2,877**	3,028	**3,118**	3,028
Councillor fees and costs	**1,592**	**1,337**	1,637	**1,592**	1,637
Repairs and maintenance expenses	**5,959**	**3,704**	5,182	**24,993**	23,670
Materials and supplies	**18,819**	**15,032**	13,200	**18,819**	13,200
Contractors and consultants	**53,775**	**45,208**	46,492	**53,944**	46,492
Other operating expenses	**4,762**	**8,079**	4,425	**35,686**	30,411
Total other expenditure	**93,479**	**84,706**	78,921	**154,264**	132,683

7 Fair value movements

	Council			Group	
	Actual 2019 $'000	**Budget 2019 $'000**	Actual 2018 $'000	**Actual 2019 $'000**	Actual 2018 $'000
Fair value movements in other assets					
Stadium advance	**(423)**	**286**	(2,882)	**(423)**	(2,882)
Fair value movements in financial instruments					
Loans	**-**	**-**	-	**-**	-
Interest rate swaps	**(25,302)**	**8,621**	(5,802)	**(25,302)**	2,976
Carbon credits	**-**	**-**	-	**-**	-
	(25,302)	**8,621**	(5,802)	**(25,302)**	2,976
Fair value movements of investment properties					
Investment properties	**-**	**-**	-	**-**	(1,014)
	(25,725)	**8,907**	(8,684)	**(25,725)**	(920)

8 Earthquake Related Costs

Kaikoura Earthquake

A 7.8 magnitude earthquake struck on 14 November 2016 in Kaikoura which has had a significant impact on CentrePort. The earthquake significantly damaged Port infrastructure and Port properties including the land on which the Port operates. The major Port operations impacted were the container services and the investment property portfolio. Other Port services including logs, ferries, fuel, cruise and break bulk activities had substantially recovered immediately following the earthquake.

The impact of the earthquake has been reflected in these financial statements with the information available to the date these financial statements are signed. The insurance claim process is well advanced and engineering damage assessments have been completed. However there is considerable uncertainty in relation to the final quantification for the settlement of the insurance claim. The Group is working closely with independent advisors and the insurers' assessors to progress the claim.

The Group has separate insurance policies for CentrePort and CentrePort Properties Limited.

At the time of the earthquake CentrePort had a total insured value (in relation to port infrastructure) of $600.0m for both Material Damage and Business Interruption combined. The Business Interruption covers a 36 month indemnity period. Insurance progress payments of $90.0m were received by CentrePort in the year ended 30 June 2019 (2018: $60.0m) bringing total progress payments received to 30 June 2019 to $250.0m. These payments are applied to business interruption (loss of rents and temporary works) in the first instance and secondly to material damage.

During the year ended 30 June 2019, CentrePort Properties Limited, including its associate property entities (SPVs), reached a full and final settlement on its insurance claim of $170.4m. Of this, $158.2m related to the SPVs and $12.2m related to CentrePort Properties Limited. All insurance proceeds have been received by CentrePort Properties Limited and allocated to the SPVs as set out in the settlement agreement.

Insurance and property related impacts for CentrePort and CentrePort Properties Limited are set-out below. As the SPVs were equity accounted until 31 May 2019, the impact of the earthquake in relation to the SPVs is accounted for separately as described in note 15.

The Group received $210.4m of payments in 2019 for claims on these policies of which $90m related to CentrePort progress payments and $120.4m related to the final settlement for the CentrePort Properties Limited claim.

8 Earthquake Related Costs (continued)

The following table shows the net proceeds applied in the financial statements for the year ended 30 June 2019:

	Material Damage $'000	Business Interruption $'000	Actual 2019 $'000	Actual 2018 $'000
Loss of gross profits and rents	-	6,622	6,622	8,477
Temporary works expenditure incurred to date	-	24,220	24,220	33,628
Material damage - preliminary estimates	59,540	-	59,540	13,478
Total insurance income	59,540	30,842	90,382	55,583
Total insurance income	210,769	101,236	312,005	221,624
Less progress payments received	(160,769)	(101,236)	(262,005)	(162,356)
Receivable as at 30 June 2019	50,000	-	50,000	59,268

Note 35 has further disclosures for the insurance settlement after balance date.

Business Interruption

An estimate of the amount recoverable for loss of gross profits has been made for the period to 30 June 2019. The amount has been calculated based on the estimated loss of revenue and has not yet been agreed with the insurer and therefore could be subject to change in future periods. CentrePort Property Limited's loss of gross profit of $0.3m is per the final settlement.

A change to the estimated loss of revenue of + / - 10% would result in an increase / decrease in the loss of gross profits income estimate accrued of $0.6m for the current year.

Material Damage Insurance Receivable

The Group has insurance cover for damage incurred to its insured assets and infrastructure. The insurers have accepted that the damage is covered under the Group's insurance policies, however, the final claim settlement amount has not yet been agreed. As a result assumptions have been made and judgement applied in determining the insurance proceeds to be recognised for material damage.

Where the minimum amount recoverable for damage to specific port assets can be reliably estimated, it has been recorded as income. There is potential for adjustments to be made to insurance amounts recognised in prior periods (based on estimates at that time) when the claim is settled and these may be material.

There is a contingent asset in relation to the insurance claim for the Port (note 28).

Earthquake Deductible Expenditure

Under the insurance policies the Group is liable to meet a deductible amount toward the cost of repair or reinstatement of the damaged assets. The total of the deductible relating to CentrePort infrastructure is $13.5m.

Impairment of Assets

Engineering damage assessments have been completed and submitted to the insurers. In completing the damage assessments further damage arising from the earthquake has been identified resulting in a further $2.6m impairment being recognised during the year (2018: $1.9m). An impairment of $0.7m (2018: $0.6m) has been taken to investment property for higher than forecasted costs of repairs.

8 Earthquake Related Costs (continued)

	Group	
	Actual 2019 $'000	Actual 2018 $'000
Asset impairment arising out of the earthquake:		
- Estimated asset impairments relating to damaged assets (note 17)	**2,621**	1,996
- Impairment and fair value write-down on investment properties owned by Centerport Properties Ltd (note 20)	**650**	600
	3,271	2,596

Port Land

An adjustment of $63 million (2018: $63m) to the fair value of land has been made to recognise the resilience work that needs to be undertaken to support the land. This adjustment is discussed in note 17.

Tax impact

Refer to note 9 for information on the material assumptions and sensitivities related to the impact of the earthquake on income tax.

9 Taxation

	Council		Group	
	Actual 2019 $'000	Actual 2018 $'000	**Actual 2019 $'000**	Actual 2018 $'000
(a) Income tax recognised in profit or loss				
Tax expense / (benefit) comprises:				
Current tax expense / (benefit)	**-**	-	**2,861**	(938)
Adjustments recognised in the current period in relation to the deferred tax of prior periods (note 10)	**-**	-	**80**	(355)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences (note 10)	**-**	-	**(4,759)**	39
Total income tax (benefit) / expense	**-**	-	**(1,818)**	(1,254)
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:				
Surplus / (deficit) from operations	**(28,715)**	(7,615)	**23,449**	16,248
Income tax expense / (benefit) calculated at 28%	**(8,040)**	(2,132)	**6,566**	4,549
Surplus / (deficit) not subject to taxation				
Non-deductible expenses	**110,258**	84,238	**114,503**	87,823
Non-assessable income	**(103,385)**	(84,060)	**(125,778)**	(94,836)
Land and buildings reclassification	**-**	-	**(286)**	273
Tax loss offsets from or subventions paid to Group companies	**-**	-	**-**	-
Unused tax losses and temporary differences not recognised as deferred tax assets	**1,867**	1,887	**(376)**	-
Tax effect of imputation credits	**(700)**	-	**(700)**	-
Temporary differences	**-**	-	**4,280**	739
Permanent differences	**-**	-	**-**	344
(Under) / over provision of income tax in previous year	**-**	67	**(27)**	(146)
Total tax expense / (benefit)	**-**	-	**(1,818)**	(1,254)

GWRC's net income subject to tax consists of its assessable income net of related expenses derived from the GWRC Group, including the CentrePort Group, and any other council controlled organisations. All other income currently derived by the GWRC is exempt from income tax.

	Council		Group	
	Actual 2019 $'000	Actual 2018 $'000	**Actual 2019 $'000**	Actual 2018 $'000
Tax expense / (benefit) is attributable to:				
Continuing operations	**-**	-	**(1,818)**	(1,254)
	-	-	**(1,818)**	(1,254)

(b) Tax Loss sharing

On 22 September 1998 WRC Holdings Limited, its wholly owned subsidiaries and CentrePort Limited entered into a Tax Loss Sharing Agreement under which the WRC Holdings Group will receive subvention payments from CentrePort Limited equivalent to 33% of its available losses (now 28%), with the balance of losses offset, where the companies elect to do so. During the 2019 year, no subvention payments were made (2018: Nil) and no loss offsets occurred (2018: Nil).

The 2019 financial statements for the parent do not include any subvention payments to be received (2018: Nil) for utilisation of the GWRC's net losses.

9 Taxation (continued)

Key assumptions

10 Deferred tax

	Council		Group	
	Actual 2019 $'000	Actual 2018 $'000	**Actual 2019 $'000**	Actual 2018 $'000
The balance comprises temporary differences attributable to:				
Tax losses	**-**	-	**23,098**	18,266
Temporary differences	**-**	-	**1,821**	3,066
	-	-	**24,919**	21,332
Other				
Temporary differences	**-**	-	**(125,347)**	(109,566)
Sub-total other	**-**	-	**(125,347)**	(109,566)
Total deferred tax liabilities	**-**	-	**(100,428)**	(88,234)

Movements - Group	**Investment properties $'000**	**Property, plant and equipment $'000**	**Trade and other payables $'000**	**Other financial liabilities $'000**	**Tax losses $'000**	**Insurance Recoverable $'000**	**Total $'000**
Balance at 1 July 2017	454	(80,258)	3,162	2,458	21,542	(35,908)	(88,550)
Charged to income	138	3,001	(768)	(2,378)	(3,276)	3,599	316
Balance at 30 June 2018	592	(77,257)	2,394	80	18,266	(32,309)	(88,234)

Movements - Group	**Investment properties $'000**	**Property, plant and equipment $'000**	**Trade and other payables $'000**	**Other financial liabilities $'000**	**Tax losses $'000**	**Insurance Recoverable $'000**	**Total $'000**
Balance at 1 July 2018	592	(77,257)	2,394	80	18,266	(32,309)	(88,234)
Charge to income	(705)	(566)	(818)	(80)	4,832	2,017	4,680
Charged to equity	-	(16,874)	-	-	-	-	(16,874)
Balance at 30 June 2019	(113)	(94,697)	1,576	-	23,098	(30,293)	(100,428)

	Council		**Group**	
	Actual 2019 $'000	Actual 2018 $'000	**Actual 2019 $'000**	Actual 2018 $'000
Tax losses	**8,929**	7,062	**-**	-
Temporary differences	**-**	-	**-**	-
	8,929	7,062	**-**	-

Tax losses not recognised

Greater Wellington has $31.889 million of unrecognised tax losses at Parent level (2018: $25.221 million) available to be carried forward and to be offset against taxable income in the future. The tax effect of losses at 28% was $8.979 million (2018: $7.062 million).The ability to carry forward tax losses is contingent upon continuing to meet the requirements of the Income Tax Act 2007.

11 Cash and cash equivalents

	Council		**Group**	
	Actual 2019 $'000	Actual 2018 $'000	**Actual 2019 $'000**	Actual 2018 $'000
Cash at bank and in hand	**9,857**	210	**101,585**	2,524
Money Market	**7,000**	2,300	**7,000**	2,300
Bulk water supply contingency fund	**-**	2,548	**-**	2,548
Material damage property insurance contingency fund	**-**	250	**-**	250
Total cash and cash equivalents	**16,857**	5,308	**108,585**	7,622

In GWRC, the net cash and cash equivalent which includes money market borrowing - is a current asset of $14,057,000 (2018: $nil). In Council Group the net cash and cash equivalent is $105,785,000 (2018: $3,585,000).

Cash-at-bank and on-hand earns interest at the official cash rate. Short term deposits are made for varying terms of between one day and three months depending on the immediate cash requirements of the Council and the Group. They earn interest at the respective short term deposit rates and the fair value of cash and cash equivalents is the stated value. As at 30 June 2019 there are $7,000,000 (2018: $2,300,000) invested in a money market term deposit at 1.88% (2018: 1.75%).

11 Cash and cash equivalents (continued)

GWRC has not invested any of its bulk water contingency funds in term deposits with a maturity of 3 month or less (2018: $2,548,000). As at 30 June 2018 the weighted average rate of the two term deposits was 3.02%. The bank term deposits are recorded at fair value.

As at 30 June 2019 there are no funds (2018: $250,000) of the material damage property insurance contingency fund invested in short term deposits. The interest rate on the investment per 30 June 2018 was 3.0%. Bank deposits are available for day to day cash management and are recorded at fair value.

Cash and cash equivalents includes cash in hand, deposits held on call with banks, other short-term, highly liquid investments with original maturities of three months or less.

12 Trade and other receivables

	Council		**Group**	
	Actual 2019 $'000	Actual 2018 $'000	**Actual 2019 $'000**	Actual 2018 $'000
Rates outstanding*	**12,126**	12,358	**12,126**	12,358
Trade Customers**	**8,633**	7,955	**17,985**	16,822
Accrued revenue	**12,759**	11,601	**13,796**	11,657
Less provision for impairment of receivables	**(981)**	(1,151)	**(981)**	(1,436)
Other receivable	**-**	-	**268**	382
Prepayments	**2,253**	1,573	**2,642**	1,816
Water levies receivables	**1,491**	3,592	**1,491**	3,592
Other receivable	**2,171**	1,746	**2,171**	1,746
Total debtors and other receivables	**38,452**	37,674	**49,498**	46,937

* GWRC uses the region's Territorial Authorities to collect its rates. Payment of the final instalment of rates is not received until after year end.

**Trade customers are non-interest bearing and are generally on 30-90 day terms. Therefore, the carrying value of debtors and other receivables approximates fair value.

12 Trade and other receivables (continued)

Provision for impairment of receivables

	Council		Group	
	Actual 2019 $'000	Actual 2018 $'000	**Actual 2019 $'000**	Actual 2018 $'000
Opening balance	**(1,151)**	(1,032)	**(1,436)**	(1,055)
Movement	**170**	(119)	**455**	(381)
Closing balance	**(981)**	(1,151)	**(981)**	(1,436)

The impairment provision has been determined based on a review of outstanding balances as at 30 June 2019.

	Council		Group	
	Actual 2019 $'000	Actual 2018 $'000	**Actual 2019 $'000**	Actual 2018 $'000
Not past due	**36,647**	35,778	**45,522**	43,344
Past due 31-60 days	**56**	112	**1,599**	1,338
Past due 61-90 days	**244**	377	**489**	466
Past due > 90 days	**1,505**	1,407	**1,888**	1,789
Total gross trade receivables	**38,452**	37,674	**49,498**	46,937

13 Inventories

	Council		Group	
	Actual 2019 $'000	Actual 2018 $'000	**Actual 2019 $'000**	Actual 2018 $'000
Depots	**-**	124	**-**	124
Water supply	**2,669**	2,655	**2,677**	2,655
Rail	**-**	-	**-**	-
Wairarapa	**350**	279	**350**	279
Kaiwharawhara crushed concrete	**-**	-	**781**	-
Emergency management	**39**	39	**39**	39
CentrePort spare stock	**-**	-	**933**	1,237
CentrePort fuel and stock	**-**	-	**118**	114
Total inventory	**3,058**	3,097	**4,898**	4,448

No inventories are pledged as securities for liabilities (2018: Nil)

14 Other financial assets

	Council		Group	
	Actual 2019 $'000	Actual 2018 $'000	**Actual 2019 $'000**	Actual 2018 $'000
Stadium advance	**-**	423	**-**	423
Civic Financial Services Limited shares	**128**	80	**128**	80
New Zealand Local Government Funding Agency Limited shares	**5,153**	1,866	**5,153**	1,866
New Zealand Local Government Funding Agency Limited borrower notes	**6,400**	4,880	**6,400**	4,880
Warm Wellington funding	**9,985**	11,196	**9,985**	11,196
Bank deposits with maturity terms more than three months	**33,000**	33,000	**33,000**	33,000
Bulk water supply contingency fund	**34,151**	28,646	**34,151**	28,646
Material damage property insurance contingency fund	**9,428**	8,489	**9,428**	8,489
Major flood contingency fund	**6,694**	6,277	**6,694**	6,277
Loan to WRC Holdings Limited	**44,000**	-	**-**	-
	148,939	94,857	**104,939**	94,857

Current financial assets	**79,382**	73,056	**79,382**	73,056
Non-current financial assets	**69,557**	21,801	**25,557**	21,801
Total financial assets	**148,939**	94,857	**104,939**	94,857

Airtel Limited

GWRC sold its 21,000 fully paid up shares in Airtel Ltd in the year ending 30 June 2019. The shares were acquired at no cost in 2001 as a result of the Wairarapa Radio Telephone Users Association's decision to form a limited liability company and issue shares to users. GWRC was previously a member of the association.

Advance to Wellington Regional Stadium Trust

GWRC advanced $25 million to the Wellington Regional Stadium Trust in August 1998. The advance is on an interest free basis with limited rights of recourse. The obligations of GWRC to fund the Trust are defined under a Funding Deed dated 30 January 1998. Under the terms of this deed, any interest charged on the limited-recourse loan is accrued and added to the loan. The advance is not repayable until all non-settlor debts of the Trust are extinguished and is subject to the Trust's financial ability to repay debt at that time. GWRC - without prejudice - expect that the Stadium will not repay the advance and consequently the asset is fully impaired.

Civic Financial Services Limited

GWRC holds 80,127 shares (2018: 80,127 shares) in the New Zealand Local Government Insurance Corporation, trading as Civic Financial Services Limited.

New Zealand Local Government Funding Agency Limited

GWRC is a founding shareholder of the New Zealand Local Government Funding Agency Limited (LGFA) and holds 1,866,000 fully paid shares (2018: 1,866,000). It has also invested $6,400,000 (2018: $4,880,000) in LGFA borrower notes, which return on average 2.40% as at 30 June 2019 (2018: 2.70%). The LGFA has the right to elect to convert the borrower notes into redeemable shares. This can only occur after it has fully called on its unpaid capital and only in the situation of their being at risk of imminent default.

14 Other financial assets (continued)

Warm Wellington

The Warm Wellington programme provides funding to ratepayers for home insulation and clean heating in association with the Energy Efficiency and Conservation Authority. Under this programme GWRC provides up to $5,000 assistance to ratepayers. The assistance is fully recovered by way of a targeted rate on those ratepayers that participate in the programme.

The Warm Wellington Balance is classified as loans and receivable. As it is not feasible to determine the future cash flows, we are carrying the actual balance at fair value rather than amortised cost. We consider the outstanding amount of the loan (principal plus interest) as the fair value.

Bank deposits with maturity terms more than three months

GWRC has invested $33,000,000 (2018: $33,000,000) of its funds in short term deposits with an average rate of 3.17% (2018: 3.49%). They are recorded at fair value.

Bulk water supply contingency fund

GWRC is holding $34,151,000 (2018: $28,646,000) bulk water supply contingency funds. These are invested as follows: $29,151,000 (2018: $10,446,000) in term deposits, $5,000,000 (2018: $11,200,000) in bank bonds and no funds are invested in a Floating Rate Note (2018: $7,000,000). The weighted average rate is 3.20% (2018: 3.80%). The investments are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. At 30 June 2019 there are none (2018: $2,548,000) of the bulk water supply contingency funds are part of 'Cash and Cash Equivalents'.

Material damage property insurance contingency fund

GWRC has invested $9,428,000 (2018: $8,489,000) of its material damage property insurance contingency fund in short term deposits with an average rate of 3.37% (2018: 4.39 %). The investments are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. There are no additional funds (2018: $250,000) of the material damage property insurance funds part of 'Cash and Cash Equivalents'.

Major flood contingency fund

GWRC has invested $6,694,000 (2018: $6,277,000) of its major flood contingency fund in a short term deposit with a rate of 3.21% (2018: 3.41%). The deposit is recorded at fair value.

Loan to WRC Holdings Limited

GWRC loaned $44,000,000 (2018: $nil) to its wholly owned subsidiary WRC Holdings Limited. The rate as at 30 June 2019 is 2.4175% (2018: n/a) and is reset quarterly.

15 Aggregated joint venture information

Name of joint venture	Principal activity	2019 Percentage ownership %	2018 Percentage ownership %
Harbour Quays A1 Limited*	Commercial rental property	**76.9%**	76.9%
Harbour Quays D4 Limited*	Commercial rental property	**76.9%**	76.9%
Harbour Quays F1F2 Limited*	Commercial rental property	**76.9%**	76.9%
Direct Connect Container Services Limited*	Transport hubbing and logistics	**38.5%**	38.5%

The remaining 50% shareholding of Wellington Port Coldstore Limited was acquired during the year and from acquisition date is accounted for as a subsidiary.

Prior to 1 June 2019 Harbour Quays A1 Limited, Harbour Quays D4 Limited and Harbour Quays F1F2 Limited (the SPVs) were accounted for as joint ventures of the Group although the SPVs are wholly owned by CentrePort Properties Limited, a subsidiary of the Parent. The SPVs have issued mandatory convertible notes to the Accident Compensation Corporation (ACC). These notes provide the ACC with joint control over the SPVs.

During the year ended 30 June 2019, the Group redeemed the MCNs issued by the SPVs to the ACC, and as a result the Group obtained full control of the SPVs from 31 May 2019. Please see note 16 for further information on this.

* All companies are incorporated and operate in New Zealand

** For commercial sensitivity purposes, the financial information of associates is not disclosed.

	Council and Group Actual 2019 $'000	Actual 2018 $'000
Group		
Carrying amount at beginning of year	**74,584**	59,397
Consolidation of net assets of SPV's on acquisition	**(84,992)**	-
Equity accounted earnings of joint ventures*	**10,218**	22,999
Dividends from joint ventures	**-**	(500)
Consolidation of net assets of Wellington Port Coldstores Limited on acquisition	**-**	(7,312)
Carrying amount at end of year	**(190)**	74,584
Represented by:		
Harbour Quays A1 Limited	**-**	18,157
Harbour Quays D4 Limited	**-**	13,599
Harbour Quays F1F2 Limited	**-**	42,952
Individually immaterial associates	**(190)**	(124)
	(190)	74,584

Earthquake damage

The investment properties owned by the SPV companies were significantly damaged in the November 2016 earthquake. The insurance claim for the properties was settled in October 2019 for $170.4m, of which $158.2m related to the SPVs. CentrePort's equity accounted earnings from these entities have been affected by the estimated cost of earthquake related costs and insurance proceeds accounted for in these entities.

A summary of the SPV earthquake treatment follows.

15 Aggregated joint venture information (continued)

Harbour Quays A1 Limited

The former Statistics House building sustained significant damage as a result of the earthquake. The land that was occupied by the building has been developed into a carpark. The total insurance claim for Harbour Quays A1 Limited was $40.3m, comprised of $4.0m for loss of rental income and $38.0m for material damage, less a deductible of $1.7m.

Harbour Quays D4 Limited

The CustomHouse property was damaged in the earthquake and damage assessments have concluded that both structural and non structural damage was caused however it was relatively minor compared to the damage sustained by other buildings. The building was repaired and reoccupied since December 2017. The total insurance claim for Harbour Quays D4 Limited was $5.5m, comprised of $4.1m for loss of rental income and $3m for material damage, less a deductible of $1.6m.

Harbour Quays F1F2 Limited

The former BNZ House sustained significant damage in the earthquake and is in the process of being demolished. The total insurance claim for Harbour Quays F1F2 Limited was $112.4m, comprised of $24.0m for loss of rental income and $93.0m for material damage, less a deductible of $4.6m.

16 Redemption of Mandatory Convertable Notes

Summary of acquisition

On 31 May 2019 the Group redeemed the Mandatory Convertible Notes (MCNs) issued by Harbour Quays A1 Limited, Harbour Quays D4 Limited and Harbour Quays F1F2 Limited (the SPVs) to the Accident Compensation Corporation (ACC) and as a result acquired the control of the SPVs on 31 May 2019.

The SPVs were previously accounted for as joint ventures although the Group held 100% of the share capital in the SPVs.

As at the acquisition-date the fair value of the equity interest in the SPVs held immediately before the acquisition amounted to $85.0m, which includes the loss recognised as a result of redeeming the MCN's of $9.7m. This loss on remeasurement of the previously held equity interest in SPVs is recognised within the share of profit/(loss) of Investments using the Equity Method in the statement of comprehensive income.

The control over the SPVs was obtained through the redemption of the MCN liabilities on 31 May 2019. The redemption amount was determined through a negotiation process and is deemed to be at fair value.

(a) *Assets and liabilities acquired*

The assets and liabilities recognised as a result of the acquisition are as follows:

16 Redemption of Mandatory Convertable Notes (continued)

	Fair value $'000
Fair Value as at 31 May 2019	
Cash and cash equivalents	**47,944**
Trade receivables	**845**
Insurance Receivables	**-**
Investment properties	**36,873**
Deferred tax assets	**-**
Trade payables	**(312)**
Income tax payable	**(84)**
Income in advance	**(274)**
Net identifiable assets acquired	**84,992**

There was no goodwill recognised as a result of the step acquisition as the fair value of the net assets acquired equals the fair value of the equity interest held immediately before the acquisition and there was no intangible assets or contingent liabilities identified that were not previously recorded as part for the SPV's net assets.

(b) *Purchase consideration – cash outflow*

Outflow of cash to acquire subsidiary, net of cash acquired	$'000
Cash consideration	**-**
Less: Balances acquired	
Cash	**47,944**
Bank overdraft	**-**
Net outflow of cash – investing activities	**47,944**

(c) *Acquired receivables*

The fair value of acquired trade receivables is $0.8million. The gross contractual amount for trade receivables due is $0.8 million, all of which is expected to be collectible.

(d) *Revenue and profit contribution*

The acquired businesses contributed revenues of $4.4 million and net profit of $10.3 million to the Group for the period from 1 July 2018 to 31 May 2019.

If the acquisition had occurred on 1 July 2018, consolidated pro-forma revenue and profit for the period ended 30 June 2019 would have been $4.7m and $11.4m respectively.

These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the Group and the subsidiary, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2018, together with the consequential tax effects.

(e) *Acquisition-related costs*

Acquisition-related costs of $72k are included in administrative expenses in the Statement of Comprehensive Income and in operating cash flows in the Statement of Cash Flows.

17 Property, plant and equipment

Council 2019	Cost / revaluation 1 Jul 2018 $'000	Transfers into 2019 $'000	Accumulated depreciation $'000	Carrying amount 1 Jul 2018 $'000	Current year additions $'000	Current year disposals $'000	Current year impairment charges $'000	Net Depreciation $'000	Current year Impairment charges $'000	Revaluation surplus $'000	Cost / revaluation 30 Jun 2019 $'000	Accumulated depreciation $'000	Carrying amount 30 Jun 2019 $'000
Operating assets													
At cost & valuation													
Land and buildings	29,092	134	(2,401)	26,825	6,236	(2,128)	-	(522)	-	-	33,334	(2,923)	30,411
Plant and equipment	15,660	-	(9,111)	6,549	2,159	(5,202)	-	3,603	-	-	12,617	(5,508)	7,109
Motor vehicles	7,599	-	(4,657)	2,942	1,311	(617)	-	(312)	-	-	8,293	(4,969)	3,324
Total	**52,351**	**134**	**(16,169)**	**36,316**	**9,706**	**(7,947)**	**-**	**2,769**	**-**	**-**	**54,244**	**(13,400)**	**40,844**
Infrastructural assets													
At cost & revaluation													
Flood protection	400,021	-	(8,428)	391,593	12,648	(6,724)	-	5,869	(1,232)	-	404,713	(2,559)	402,154
Navigational aids	2,172	-	(393)	1,779	-	-	-	(70)	-	545	2,254	-	2,254
Parks and forests	90,041	-	-	90,041	1,919	(1)	-	(2,034)	-	-	91,959	(2,034)	89,925
Transport infrastructure	18,287	(134)	(3,615)	14,538	10,803	(2,810)	-	761	-	8,953	32,245	-	32,245
Water infrastructure	603,622	-	-	603,622	141	(178)	-	(15,538)	-	-	603,585	(15,538)	588,047
Capital work in progress	26,910	-	-	26,910	6,067	-	-	-	-	-	32,977	-	32,977
Right to use	-	-	-	-	30,889	-	-	(1,544)	-	-	30,889	(1,544)	29,345
Total	**1,141,053**	**(134)**	**(12,436)**	**1,128,483**	**62,467**	**(9,713)**	**-**	**(12,556)**	**(1,232)**	**9,498**	**1,198,622**	**(21,675)**	**1,176,947**
Total Council	**1,193,404**	**-**	**(28,605)**	**1,164,799**	**72,173**	**(17,660)**	**-**	**(9,787)**	**(1,232)**	**9,498**	**1,252,866**	**(35,075)**	**1,217,791**

17 Property, plant and equipment (continued)

Council 2018	Cost / revaluation 1 Jul 2017	Transfers into 2015	Accumulated depreciation	Carrying amount 1 Jul 2017	Current year additions	Current year disposals	Current year impairment charges	Net Depreciation	Revaluation surplus	Cost / revaluation 30 Jun 2018	Accumulated depreciation	Carrying amount 30 Jun 2018
Operating assets												
At cost & valuation												
Land and buildings	15,012	-	(2,077)	12,935	15,640	(1,560)	-	(324)	-	29,092	(2,401)	26,691
Plant and equipment	16,425	-	(11,728)	4,697	3,493	(4,268)	-	2,628	-	15,660	(9,111)	6,549
Motor vehicles	7,423	-	(4,724)	2,699	1,133	(957)	-	67	-	7,599	(4,657)	2,942
Total	**38,860**	**-**	**(18,529)**	**20,331**	**20,266**	**(6,785)**	**-**	**2,371**	**-**	**52,351**	**(16,169)**	**36,182**
Infrastructural assets												
At cost & valuation												
Flood protection	383,461	-	(7,692)	375,769	18,082	(179)	-	(738)	-	400,021	(8,428)	391,593
Navigational aids	2,172	-	(320)	1,852	-	-	-	(73)	-	2,172	(393)	1,779
Parks and forests	85,886	-	(8,067)	77,819	2,047	(154)	-	(2,225)	12,554	90,041	-	90,041
Transport infrastructure	17,440	-	(2,534)	14,906	908	(61)	-	(1,081)	-	18,287	(3,615)	14,672
Water infrastructure	461,459	-	(43,674)	417,785	14,117	(450)	-	(10,525)	182,695	603,622	-	603,622
	25,199	-	-	25,199	1,711	-	-	-	-	26,910	-	26,910
Total	**975,617**	**-**	**(62,287)**	**913,330**	**36,865**	**(844)**	**-**	**(14,642)**	**195,249**	**1,141,053**	**(12,436)**	**1,128,617**
Total Council	**1,014,477**	**-**	**(80,816)**	**933,661**	**57,131**	**(7,629)**	**-**	**(12,271)**	**195,249**	**1,193,404**	**(28,605)**	**1,164,799**

17 Property, plant and equipment (continued)

Group 2019	Cost / revaluation 1 Jul 2018 $'000	Transfers into 2019 $'000	Accumulated depreciation $'000	Carrying amount 1 Jul 2018 $'000	Current year additions $'000	Current year disposals $'000	Current year impairment charges $'000	Net Depreciation $'000	Revaluation surplus $'000	Cost / revaluation 30 Jun 2019 $'000	Accumulated depreciation $'000	Carrying amount 30 Jun 2019 $'000
Operating assets												
Land and buildings	108,884	134	(17,847)	91,171	10,814	(2,250)	(757)	(812)	-	116,825	(18,659)	98,166
Plant & Equipment	97,546	-	(45,473)	52,073	5,587	(14,656)	-	2,448	-	88,487	(43,035)	45,452
Motor vehicles	7,599	-	(4,657)	2,942	1,311	(617)	-	(312)	-	8,293	(4,969)	3,324
Total	**214,029**	**134**	**(67,977)**	**146,186**	**17,712**	**(17,523)**	**(757)**	**1,324**	**-**	**213,605**	**(66,663)**	**146,942**
Infrastructural assets												
At cost & valuation												
Flood protection	400,021	-	(8,429)	391,592	12,648	(6,724)	(1,232)	5,869	-	404,713	(2,559)	402,154
Parks and forests	90,041	-	-	90,041	1,919	(1)	-	(2,034)	-	91,959	(2,034)	89,925
Capital works in progress	38,337	-	-	38,337	9,006	-	-	-	-	47,342	-	47,342
Port wharves and paving	68,219	-	(50,228)	17,991	1,056	-	-	(1,025)	-	69,275	(51,253)	18,022
Navigational aids	2,172	-	(393)	1,779	-	-	-	(70)	545	2,254	-	2,254
Transport infrastructure	480,635	(134)	(67,624)	412,877	28,888	(5,854)	-	(15,680)	69,216	489,449	-	489,449
Water infrastructure	603,622	-	-	603,622	141	(178)	-	(15,538)	-	603,585	(15,538)	588,047
Right to use	-	-	-	-	30,888	-	-	(1,544)	-	30,888	(1,544)	29,345
Total	**1,683,047**	**(134)**	**(126,674)**	**1,556,239**	**84,546**	**(12,757)**	**(1,232)**	**(30,022)**	**69,761**	**1,739,465**	**(72,928)**	**1,666,537**
Total Group	**1,897,076**	**-**	**(194,651)**	**1,702,425**	**102,258**	**(30,280)**	**(1,989)**	**(28,698)**	**69,761**	**1,953,070**	**(139,591)**	**1,813,479**

17 Property, plant and equipment (continued)

Group 2018	Cost / revaluation 1 Jul 2017 $'000	Transfers into 2015 $'000	Accumulated depreciation $'000	Carrying amount 1 Jul 2017 $'000	Current year additions $'000	Current year disposals $'000	Current year impairment charges $'000	Net Depreciation $'000	Revaluation surplus $'000	Cost / revaluation 30 Jun 2018 $'000	Accumulated depreciation $'000	Carrying amount 30 Jun 2018 $'000
Operating assets												
Land and buildings	92,984	-	(17,093)	75,891	18,729	(2,382)	(451)	(750)	-	108,884	(17,847)	91,037
Plant and Equipment	82,376	-	(40,083)	42,293	19,572	(4,401)	-	(5,390)	-	97,546	(45,473)	52,073
Motor vehicles	7,416	-	(4,724)	2,692	1,140	(957)	-	67	-	7,599	(4,657)	2,942
Total Group's property, plant and equipment	**182,776**	**-**	**(61,900)**	**120,876**	**39,441**	**(7,740)**	**(451)**	**(6,073)**	**-**	**214,029**	**(67,977)**	**146,052**
Infrastructural assets												
Flood protection	383,461	-	(7,692)	375,769	18,081	(179)	(1,341)	(738)	-	400,021	(8,429)	391,592
Parks and forests	85,886	-	(8,067)	77,819	2,047	(154)	-	(2,225)	12,554	90,041	-	90,041
Capital work in progress	39,849	-	-	39,849	30,726	(32,238)	-	-	-	38,337	-	38,337
Port wharves and paving	67,670	-	(49,727)	17,943	549	-	-	(501)	-	68,219	(50,228)	17,991
Navigational aids	2,172	-	(320)	1,852	-	-	-	(73)	-	2,172	(393)	1,779
Transport infrastructure	476,150	-	(52,707)	423,443	9,281	(4,777)	-	(14,935)	-	480,635	(67,624)	413,011
Water infrastructure	461,461	-	(43,674)	417,787	14,115	(450)	-	(10,525)	182,695	603,622	-	603,622
Total infrastructural assets	**1,516,649**	**-**	**(162,187)**	**1,354,462**	**74,799**	**(37,798)**	**(1,341)**	**(28,997)**	**195,249**	**1,683,047**	**(126,674)**	**1,556,373**
Total Group's property, plant and equipment	**1,699,425**	**-**	**(224,087)**	**1,475,338**	**114,240**	**(45,538)**	**(1,792)**	**(35,070)**	**195,249**	**1,897,076**	**(194,651)**	**1,702,425**

17 Property, plant and equipment (continued)

Infrastructural assets - further disclosures

Council 2019

Council 2019	**Closing book value $'000**	**Additions: Constructed by Council $'000**	**Additions: Assets transferred to Council $'000**	**Estimated replacement cost $'000**
Infrastructural assets				
Water treatment plants & facilities	265,363	90	-	273,324
Other water assets	322,684	51	-	332,364
Flood protection and control works	402,154	12,648	-	425,477
Total infrastructural assets	**990,201**	**12,789**	**-**	**1,031,165**

Council 2018	Closing book value $'000	Additions: Constructed by Council $'000	Additions: Assets transferred to Council $'000	Estimated replacement cost $'000
Infrastructural assets				
Water treatment plants & facilities	260,177	784	-	451,851
Other water assets	330,806	691	-	700,037
Flood protection and control works	391,593	18,081	-	416,471
Total infrastructural assets	**982,576**	**19,556**	**-**	**1,568,359**

17 Property, plant and equipment (continued)

Capital Work in Progress

Capital work in progress includes capital projects requiring resource consent to proceed. The Board and management regularly reviews these projects to determine whether the assumptions supporting the project proceeding continue to be valid. The Capital Works in Progress balance is carried forward on the basis the projects have been determined they will proceed.

Service Concession Arrangement

Background:
GWRC (as grantor) has entered into an arrangement with Tranzit, NZ Bus, and Mana (the Operators) to provide bus services. The arrangement requires Operators to provide timetable services using double decker buses under contracts terms of 15 years.
During this period, the operator will earn revenues from operating the buses while GWRC pays the service fees and substantively control the use of the double decker buses as specified in the agreement. At the end of contract term, the ownership of those buses will transfer to GWRC with the price determined using a contracted formula.

Service concession asset
The double decker buses are recognised at fair value of $31 million at 2018/19 and subsequently measured in accordance with PBE IPSAS 32. They have an estimated useful life of 20 years and depreciated on a straight-line basis.

Service concession liability
$31 million of financial liability in relation to the service concession arrangement is also recognised at 2018/19. This financial liability is accounted for using the amortised cost model leading to finance expenses over 15 years.

Operational Port Land

Operational Port Land is measured at fair value less any allowance for impairment.

Operational Port Land was last independently valued by Bayleys, a registered valuer, on 30 June 2017. The assessed value at that time was $110.5m (which excludes $3.1m of additions during the year ended 30 June 2017 and $2.9m of additions during the year ended 30 June 2018) which was adjusted by $63.0m for estimated Operational Port Land resilience costs. The Directors are satisfied that there has not been a material movement in the fair value as at 30 June 2019.

	2019 **$'000**
Industrial Zoned Land	**79,590**
Commercial Zoned	**8,832**
Other Port Land	**25,231**
Total Operational Port Land	**113,653**
Provision for Resilience	**(63,000)**
Carrying Value Operational Port Land	**50,653**
Additions, Transfers, and Disposals of Port Land	**2,738**
Carrying Value Operational Port Land 30 June 2019	**53,391**

Valuation Approach Operational Port Land

The fair value of Operational Port Land has been determined in accordance with Australia and New Zealand Valuation and Property Standards, in particular Valuation Guidance Note NZVGN 1 Valuations for Use in New Zealand Financial Reports

17 Property, plant and equipment (continued)

and IVS 300 Valuations for Financial Reporting and NZ IFRS 13 (Fair Value Measurement).

The fair value of Operational Port Land is based on the highest and best use for transport distribution, road/rail/port linkages and logistics.

The fair value of Operational Port Land is determined with reference to a fair value hierarchy of inputs. All inputs into the determination of fair value of Operational Port Land sit within level 3 of this hierarchy as they are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Each freehold parcel of land is valued on a rate per square metre basis using the direct sales comparison approach. In carrying out this comparison, consideration is given to:

- sales of land or development sites within the wider Wellington region
- size, shape, location and access to services
- road frontage , exposure to vehicles
- allowable height and density of use.

Key assumptions underlying the valuation are set out below:

(i) Land at Aotea Quay, the Northern Reclamation and Point Howard have been valued in their current condition.

(ii) Parts of the port incurred significant settlement resulting in undulations and sharp height variations to some sealed areas. The valuation was completed on the basis that all remediation work was complete, including re levelling and laying new seal.

The table below summarises the valuation approach and key assumptions used by the valuers to arrive at fair value and the sensitivity of the valuation to movements in unobservable inputs.

Freehold land	Fair value $'000	Valuation approach	Key valuation assumptions	Valuation impact
Industrial Zoned	$79,590	Comparison to sales of industrial land in similar locations	Weighted average land value $40 - $600 psm	+/- 5% ($4.0m)
Commercial Zoned	$8,831	Comparison to sales of commercially zoned land in similar locations	Weighted average land value $750 - $2,100 psm	+/- 5% ($0.4m)

Operational Port Land Resilience

An adjustment of $63m (2018: $63m) has been made to the fair value of Operational Port Land at 30 June 2019 to recognise the resilience work that needed to be undertaken to support the land. The resilience works costs are estimated with reference to the expected costs for remediation works undertaken for part of the operational port land.

There is a high level of uncertainty attached to the level of adjustment to be recognised against the port land resilience. This uncertainty includes the appropriate level of resilience required for each area of land, the range of potential technical solutions available to provide the desired level of resilience, and the cost of each potential solution.

Planning for the works to be undertaken is underway. The adjustment to the fair value of Operational Port Land is a critical

17 Property, plant and equipment (continued)

accounting estimate as the actual costs of resilience works may differ significantly from the estimate.

A 15% increase/decrease in the estimate of the cost of the works would result in a movement in the fair value of Operational Port Land of $9.5m.

Valuation Approach - Other Port Land
A capitalised net rental approach is used to value leasehold land, where market ground rental is capitalised with reference to sales of lessors interests, with an allowance made for differences between contract and market rents adjusted for the terms of the lease. Inputs into this valuation approach are:

- comparable recent rental settlements on a rate per square metre of land
- perpetually renewable or terminating lease
- rental review periods
- forecast trends for interest rates and market based property yields.

Market rental is assessed using both the:

- Classic Approach under which the valuer adjusts a basket of comparable rental settlements for a ground rental rate per square metre and multiplies by the land area leased, and the
- Traditional Approach whereby the valuer assesses a market land value and applies a market based ground rental percentage against this value.

Value is assessed once the market rental is assessed; the overage or underage is calculated until rent review date. This is then adjusted for the value of the right to renew if it is a perpetual lease or the present value of the market value of the site deferred until the lease end.

The following table summarises the key inputs and assumptions used by the valuer to arrive at fair value and the sensitivity of the valuation to movements in unobservable inputs.

Other Port land	**Fair value $'000**	**Valuation approach**	**Key valuation assumptions**	**Valuation impact**
Other port land	$25,231	Capitalised market rental checked to comparable sales of freehold land	Lessors Capitalisation Rate - 6.75% to 7.00%	+/-0.25% +/- $763k to $817k

Greater Wellington Rail Limited (GWRL)

GWRL infrastructural assets and its rolling stock were independently valued by John Freeman, FPINZ, TechRICS, MACostE, Registered Plant and Machinery Valuer, a Director of Bayleys Valuations Limited as at 30 June 2019 using Optimised Depreciated Replacement Cost (ODRC) methodology.

All other property, plant and equipment are carried at cost less accumulated depreciation and any allowance for impairment.

18 Intangible assets

Council	Software $'000	*Emission units $'000	Total $'000
Year ended 30 June 2018			
Opening net book amount	3,224	4,859	8,083
Additions	1,324	878	2,202
Revaluation	-	1,140	1,140
Amortisation charge	(938)	-	(938)
Closing net book amount	3,610	6,877	10,487
At 30 June 2018			
Cost and valuation	11,614	6,877	18,491
Accumulated amortisation and impairment	(8,004)	-	(8,004)
Net book amount	3,610	6,877	10,487
Year ended 30 June 2019			
Opening net book amount	3,610	6,877	10,487
Additions	106	-	106
Disposals	(32)	-	(32)
Revaluation	-	791	791
Net amortisation charge	(933)	-	(933)
Closing net book amount	2,751	7,668	10,419
At 30 June 2019			
Cost and valuation	10,684	7,668	18,352
Accumulated amortisation and impairment	(7,933)	-	(7,933)
Net book amount	2,751	7,668	10,419

18 Intangible assets (continued)

Group	**Goodwill $'000**	**Software $'000**	***Emission units $'000**	**Total $'000**
Year ended 30 June 2018				
Opening net book amount	2,674	3,837	4,859	11,370
Additions	-	1,612	878	2,490
Revaluation	-	-	1,140	1,140
Disposal	-	(103)	-	(103)
Amortisation charge	-	(1,199)	-	(1,199)
Closing net book amount	2,674	4,147	6,877	13,698
At 30 June 2018				
Cost	2,674	15,839	6,877	29,613
Accumulated amortisation and impairment	-	(11,692)	-	(15,915)
Net book amount	2,674	4,147	6,877	13,698

Group	**Goodwill $'000**	**Software $'000**	**Emission Units $'000**	**Total $'000**
Year ended 30 June 2019				
Opening net book amount	2,674	4,147	6,877	13,698
Additions	-	156	-	156
Revaluation	-	-	791	791
Disposal	-	(35)	-	(35)
Amortisation charge	-	(1,097)	-	(1,097)
Closing net book amount	2,674	3,171	7,668	13,513
At 30 June 2019				
Cost and valuation	2,674	14,955	7,668	25,297
Accumulated amortisation and impairment	-	(11,784)	-	(11,784)
Net book amount	2,674	3,171	7,668	13,513

No intangible assets are pledged as security for liabilities.

The amortisation expense is included in operating expenses in the statement of comprehensive income.

* GWRC received allocations of New Zealand units for the emission trading scheme. These units were recognised at fair value when the units were issued and subsequently revalued at balance date.

19 Insurance coverage, asset values and contingency funds

Section 31 A (a) LG Act Amendment Act No 3

a) The total value of all assets of the local authority that are covered by insurance contracts, and the maximum amount to which they are insured.

	Value of assets covered by insurance $'000	Maximum level of insurance coverage $'000
Council assets	**1,602,643**	647,546
Rolling Stock	**474,200**	140,000
Total	**2,076,843**	787,546

b) The total value of all assets of the local authority that are self-insured, and the value of any fund maintained by the local authority

	Value of fund maintained $'000	Total value of assets self-insured $'000
Council assets	**93,224**	1,143,236
Rolling stock	**-**	334,200
Total	**93,224**	1,477,436

Mean Damage Estimates are used based on a 1,000 year average return interval (ARI) targeting the Wellington Fault based on a magnitude (Mw) 7.3 rupture to understand the risk and level of funds required to meet a catastrophic event. The combined estimate for the Water underground assets and Flood Protection assets has been calculated at $206 million (2018: $173 million) by Tonkin & Taylor and Aon.

The Government will provide up to 60% of the loss of Infrastructure assets such as stopbanks, flood protection structures and below ground water infrastructure assets. This support is laid down in section 26 of the Guide to the National Civil Defence Plan Emergency Management Plan.

The total value of all assets of the local authority that are covered by financial risk sharing arrangements, and the maximum amount available to the local authority under those arrangements

Council's insurance cover is shared with Hutt City Council, Upper Hutt City Council, Kapiti Coast District Council and Porirua City Council. The Council shares it building & equipment insurance with these four Councils to the value of $600 million, based on our Council assets of $688 million and sharing group assets of $1.711 billion.

20 Investment properties

GWRC holds no investment in properties.

The Group's investment properties comprise of CentrePort Limited Group developed and undeveloped investment properties.

Investment Property, which is property held to earn rentals and/or for capital appreciation, is measured at its fair value determined by an independent valuer at the reporting date. Gains or losses arising from changes in fair value of investment property are recognised in profit or loss in the period in which they arise.

The Group has the following classes of Investment Property:

- Developed Investment Property
- Land Available for Development
- Lessors Interests

Valuation approach

The fair value of Freehold Investment Property is based on the highest and best use for commercial property.

The fair value of Investment Property is determined with reference to a fair value hierarchy of inputs as described in Note 16. This hierarchy reflects the significance of the inputs used in making the measurements.

All inputs into the determination of fair value of Investment Property sit within level 3 of this hierarchy.

Developed Investment Property – Valuation

Developed investment property consists of the building and leasehold interest in the land for Customhouse. This property is leased to a third party.

The Developed Investment Property was valued on 30 June 2019 by independent registered valuers of the firm Colliers International. The property is valued in accordance with Australia and New Zealand Valuation and Property Standards for assessing the market value of the property, in particular Valuation Guidance Note NZVGN 1 - Valuations for Use in New Zealand Financial Reports and IVS 101-105 and 400. Following the consolidation of the SPV's (note 16) the value determined by Colliers International was $29.7 m (2018: $29.1m).

Developed Investment Property is valued using a combination of the following approaches:

- Market capitalisation approach - This is where fair value is determined by capitalising the property's market ground rental with reference to sales of lessors interests, and then an allowance is made for the difference between contract rent (either over or under) discounted until a notional equilibrium point in the lease term.

- Discounted cashflow approach - This is where fair value is determined by a present value of the projected cashflow of the property over a period, making allowances for such variables as discount rates, growth rates, rental levels, vacancy allowances, capital expenditure and outgoings, and terminal yields.

Land Available for Development – Valuation

Land Available for Development consists of the Harbour Quays Development Land and the sites of the former BNZ Building and the former Statistics House (2018: Harbour Quays Development Land). These were valued on 30 June 2019 by independent registered valuers of the firm Colliers International. The sites were valued in accordance with Australia and New Zealand Valuation and Property Standards for assessing the market value of the property, in particular Valuation Guidance Note NZVGN 1 - Valuations for Use in New Zealand Financial Reports and IVS 101-105 and 400. Following the consolidation of the SPV's (note 13) the value determined by Colliers International was $38.9m (2018: $23.4m) based on the below assumptions:

- It is assumed that all 'normal' site services are fully reinstated, and no allowance has been made for any remedial or repair work required to the site or surrounding land and infrastructure.

- The former BNZ Building is in the process of being deconstructed. It is assumed that this work is complete and the land is vacant. No allowances for the cost of this were included in the valuation.

Land Available for Development is valued using the direct sales comparison approach. This is where the subject property is compared with recently sold properties of a similar nature with fair value determined through the application of positive and negative adjustments for their differing features. In carrying out this comparison, consideration is given to sales of similar property within the wider Wellington region.

After allowing for impairment based on the expected costs to repair or demolish the properties, the fair value of the investment properties is $25.0m (2018: $13.5m).

Lessors Interests – Valuation

The Lessors Interests were valued on 30 June 2019 by independent registered valuers of the firm Colliers international. The property is valued in accordance with Australia and New Zealand Valuation and Property standards for assessing the market value of the property, in particular Valuation Guidance Note NZVGN 1 - Valuations for Ubse in New Zealand Financial Reports and IVS 101-105 and 400. The value determiined by Colliers International was $0.18m (2018:$0.16m).

Lessors interest is valued using the market capitalisation approach. This is where fair value is determined by capitalising the property's market ground rental with reference to sales of lessors interests, and then an allowance made for the difference between contract rent (either over or under) discounted until a notional equilibrium point in the lease term.

20 Investment properties (continued)

The table below summarises the valuation approach used by the valuers before allowances for infrastructure service costs to arrive at fair value and the sensitivity of the valuation to the movements in unobservable inputs.

	Fair value $'000	**Valuation approach**	**Key valuation assumptions**	**Valuation impact**
Developed Investment Property	29,700	Market Capitalisation	Market capitalisation rate - the rate of return determined through analysis of comparable, market-related sales transactions, which is applied to a property's sustainable net income to derive value	8.00% to 9.25%
Developed Investment Property	29,700	Discounted Cashflow	Discount rate - the rate of return used to determine the present value of future cash flows	8.75%
Land Available for Development	38,857	Direct sales comparison	Weighted average land value - the rate per sqm applied to the subject property	$100 to $2,500
Lessors Interest	181	Market Capitalisation	Lessors interest yield - A rental percentage applied to the land value to arrive at current market ground rent	6.75%

	Council		**Group**	
	Actual 2019 $'000	Actual 2018 $'000	**Actual 2019 $'000**	Actual 2018 $'000
Developed investment properties brought forward	**-**	-	**-**	-
Additions / (disposals)	**-**	-	**29,191**	-
Reclassification to property, plant and equipment	**-**	-	**-**	-
Land available for development brought forward	**-**	-	**13,515**	12,022
Additions / (disposals)	**-**	-	**3,224**	2,507
Consolidated from SPV's	**-**	-	**7,682**	-
Impairment and change in the value of developed investment property	**-**	-	**107**	-
Increase / (decrease) in fair value	**-**	-	**1,004**	(1,014)
Land available for development carried forward	**-**	-	**54,723**	13,515
Transfers from Property, Plant, and Equipment	**-**	-	**164**	127
Fair value change	**-**	-	**17**	37
	-	-	**181**	164
	-	-	**54,904**	13,679

21 Investments in subsidiaries and associates

		Equity holding 2019 %	2018 %
WRC Holdings Limited	Subsidiary of GWRC	**100**	100
Port Investments Limited	Subsidiary of WRC Holdings Limited	**100**	100
CentrePort Limited	Subsidiary of Port Investments Limited	**76.9**	76.9
Greater Wellington Rail Limited	Subsidiary of WRC Holdings Limited	**100**	100
Wellington Regional Economic Development Agency	Minority Interest	**20**	20
Wellington Water Limited	Council Controlled Organisation	**20**	20

All the companies mentioned above were incorporated in New Zealand and have a balance date of 30 June.

All significant intra-group transactions have been eliminated on consolidation.

	Actual 2019 $'000	Actual 2018 $'000
WRC Holdings Limited shares	**269,145**	256,445
Wellington Water Limited	**150**	150
Total investment in subsidiaries	**269,295**	256,595

For commercial sensitivity purposes, the financial information of associates is not disclosed.

22 Derivative financial instruments

	Council		Group	
	Actual 2019 $'000	Actual 2018 $'000	**Actual 2019 $'000**	Actual 2018 $'000
Current asset portion				
Interest rate swap	**-**	206	**-**	206
Total current asset portion	**-**	206	**-**	206
Non-current asset portion				
Interest rate swaps	**1,056**	450	**1,056**	450
Total non-current asset portion	**1,056**	450	**1,056**	450
Total derivative financial instruments - assets	**1,056**	656	**1,056**	656
Current liability portion				
Interest rate swaps	**1,247**	671	**1,247**	671
Total current liability portion	**1,247**	671	**1,247**	671
Non-current liability portion				
Interest rate swaps	**66,173**	41,047	**66,173**	41,047
Total non-current liability portion	**66,173**	41,047	**66,173**	41,047
Total derivative financial instruments - liabilities	**67,420**	41,718	**67,420**	41,718
Total net derivative financial instruments	**(66,364)**	(41,062)	**(66,364)**	(41,062)

For more information on interest rate swaps and foreign exchange contracts, please refer to note 27 Financial Instruments. The fair values of the derivative financial instruments have been determined using a discounted cashflow technique based on market prices at balance date.

23 Trade and other payables

	Council		Group	
	Actual 2019 $'000	Actual 2018 $'000	**Actual 2019 $'000**	Actual 2018 $'000
Trade payables	**36,486**	28,364	**53,518**	43,317
Deposits and bonds	**-**	-	**6**	6
Revenue in advance	**2,144**	2,037	**2,144**	2,037
Accrued interest on borrowings	**3,401**	3,217	**3,401**	3,217
Amounts due to related parties	**5,140**	8,119	**-**	-
Total current creditors and other payables	**47,171**	41,737	**59,069**	48,577

Trade and other payables are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value approximates their fair value.

24 Debt

		Council		Group	
	Note	**Actual 2019 $'000**	Actual 2018 $'000	**Actual 2019 $'000**	Actual 2018 $'000
Current debt liabilities					
Bank overdraft	(i)	**-**	-	**-**	4,037
Commercial paper	(ii)	**64,713**	74,622	**64,713**	74,622
Floating rate notes	(iii)	**-**	25,000	**-**	25,000
Bank loans	(iii)	**-**	-	**-**	18,003
Total current debt liabilities		**64,713**	99,622	**64,713**	121,662
Committed lines	(i)	**2,800**	-	**2,800**	-
Bank loans	(iv)	**-**	-	**-**	44,080
Fixed rate bond	(vi)	**25,000**	25,000	**25,000**	25,000
Floating rate notes	(v)	**375,000**	255,000	**375,000**	255,000
Total non-current debt liabilities		**402,800**	280,000	**402,800**	324,080
Total debt liabilities		**467,513**	379,622	**467,513**	445,742

Terms and conditions

The Council provides security to lenders as required in the form of debenture stock which provides a charge over rates and rates income.

(i) GWRC has no overdraft facility. As at 30 June 2019 GWRC has $105,000,000 (2018: $105,000,000) credit lines of which $102,200,000 (2018: $105,000,000) are undrawn. The three credit lines are for $35,000,000 each, of which $35,000,000 mature in 2021 and $70,000,000 mature in 2022. All three facilities can be repaid or drawn down until expiry and have the ability to be extended annually at the discretion of the bank. These borrowings are subject to a charge over rates.

As at 30 June 2019 the Group had a bank overdraft balance of $2,800,000 (2018: $4,037,000).

(ii) GWRC has issued three (2018: three) tranches of commercial paper which mature within three month from balance date. Their weighted average interest rate is 1.77% (2018: 2.07%).

(iii) CentrePort has revolving cash advance agreements with ANZ Bank New Zealand Limited and Westpac Banking Corporation Limited. The bank facilities total $50,000,000 (2018: $125,000,000) One $25,000,000 banking line renews in May 2021. The second bank facility is an evergreen facility of $25,000,000 subject to a 13 month cancellation notice. Greater Wellington Regional Council has guaranteed CentrePorts borrowings up to the full limit of the facility. CentrePort pays a guarantee fee to Greater Wellington Regional Council.

(iv) In the year ending 30 June 2019 WRC Holdings Limited has received a $44,000,000 loan from GWRC which matures on 15 October 2021 and is repriced quarterly. The loan has an interest rate of 2.4175%. As per 30 June 2018 WRC Holdings had a commercial paper of $44.3 million (2018: $44.3 million) on issue which was supported by a $44 million bank facility with the Commonwealth Bank of Australia Limited. The bank facility has been canceled during the year.

(v) As at 30 June 2019 GWRC has issued 12 (2018: ten) Floating Rate Notes (FRN) of $25,000,000 each. They mature in between May 21, April 22, October 23, June 24, April 25, June 25, November 25, June 26, April 27, April 28, April 29 and April 33 (2018: March19, May 21, April 22, October 23, June 24, June 25, June 26, April 27, April 29 and April 33). The interest rates are ranging between 2.1025% and 2.6425% (2018: 2.4975% and 2.9325%). GWRC has issued one (2018: one) $30,000,000 (2018: $30,000,000) FRN with a maturity of April 2023. The interest rate is 2.43% (2018: 2.6250%). GWRC has also issued one $45,000,000 (2018: nil) FRN with a maturity of October 2021. The interest rate is 2.1675% p.a (2018: nil). The Interest rate of the Floating Rate Notes is reset quarterly based on the 90-day bank bill rate plus a margin.

(vi) The $25,000,000 fixed rate bond has a 4.31% coupon and is due for repayment in April 2031.

24 Borrowings (continued)

In December 2011 GWRC (long term S&P credit rating of AA) guaranteed the borrowings of CentrePort Limited up to their banking facility limit of $50,000,000 (2018: $125,000,000). In recognition of the provision of the guarantee the company pays a guarantee fee to GWRC.

25 Employee entitlements and provisions

	Council		**Group**	
	Actual 2019 $'000	Actual 2018 $'000	**Actual 2019 $'000**	Actual 2018 $'000
Current Liability				
Employee benefits	**2,799**	2,790	**6,494**	6,310
Provision	**525**	-	**525**	-
	3,324	2,790	**7,019**	6,310
Non-current portion				
Employee benefits	**137**	194	**419**	839
Total Employee Benefit Liabilities	**3,461**	2,984	**7,438**	7,149

A provision for employee entitlements is recognised as a liability in respect of benefits earned by employees but not yet received at balance date when it is probable that settlement will be required and they are capable of being measured reliably. The present value is determined by discounting the future cash flows at a pre tax rate that reflects current market assessments of the time value of money and the risks specific to the liabilities.

The rate used for discounting the provision for future payments is 2.5% (2018: 2.9%).

	Annual Leave $'000	**Long Service Leave $'000**	**Earthquake repair works $'000**	**Total $'000**
Council				
2019				
Opening carrying value	2,790	194	-	2,984
Addition	9	-	525	534
Amounts used	-	(57)	-	(57)
Carrying amount at end of year	**2,799**	**137**	**525**	**3,461**

	Annual Leave $'000	**Long Service Leave $'000**	**Earthquake repair works $'000**	**Total $'000**
Council				
2018				
Opening carrying value	2,494	201	441	3,136
Addition	296	-	-	296
Amounts used	-	(7)	(441)	(448)
Carrying amount at end of year	**2,790**	**194**	**-**	**2,984**

26 Reconciliation of operating surplus / (deficit) with cashflow from operating activities

	Council		Group	
	Actual 2019 $'000	Actual 2018 $'000	**Actual 2019 $'000**	Actual 2018 $'000
Surplus / (deficit) after tax	**(28,715)**	(7,615)	**25,267**	17,502
Add / (less) non-cash items				
Depreciation and amortisation	**25,266**	18,644	**51,507**	42,691
Non cash assets	**-**	-	**-**	-
Impairment of property, plant and equipment	**-**	-	**(1,021)**	-
Sale of fixed assets	**3,112**	1,970	**5,449**	2,011
Equity accounted earnings from associate companies	**-**	-	**(10,311)**	(22,581)
Change in value of future tax benefit	**-**	-	**(2,377)**	(1,950)
Inventory adjustment	**-**	-	**-**	-
EQ related cost	**-**	-	**3,271**	2,596
Changes in fair value of emission units	**-**	(878)	**-**	(878)
Gain on disposal of fixed asset	**-**	-	**-**	32
Changes in fair value of investment property	**-**	-	**-**	826
Changes in fair value of derivative financial instruments	**25,302**	8,684	**25,302**	(94)
Changes in fair value of stadium advance	**423**	-	**423**	-
Movement in provision for impairment of doubtful debts	**(170)**	119	**(170)**	119
Add / (less) movements in working capital				
Accounts receivable	**(322)**	(4,358)	**295**	(4,574)
Warm Wellington receivable	**1,211**	453	**1,211**	452
Inventory	**37**	9	**(444)**	82
Borrowings	**-**	-	**-**	(146)
Accounts payable	**4,210**	1,075	**7,249**	3,387
Employee provisions	**(49)**	290	**(240)**	112
Insurance receivable	**-**	-	**9,268**	3,417
Tax	**-**	-	**436**	2,232
Working capital recognised on WPC acquisition	**-**	-	**-**	(1,900)
Other	**-**	-	**38**	(13)
Add / (less) items classified as investing or financing				
(Inc)/Dec in debtors and other receivables	**-**	-	**-**	-
Accounts payable related to fixed assets	**-**	(291)	**(1,052)**	(537)
Accounts payable related to EQ capital expenditure	**-**	-	**-**	(842)
Accounts receivable related to fixed assets	**-**	-	**-**	-
Inc/(Dec) in creditors and other payables	**-**	-	**-**	-
Inc/(Dec) Gain/Loss on disposal of property, plant and equipment	**(174)**	-	**(175)**	(290)
Inc/(Dec) Gain/Loss on disposal of investment	**(22)**	-	**(22)**	-
Inc/(Dec) in insurance progress payment schedule	**-**	-	**(68,804)**	(16,895)
Inc/(Dec) in employee entitlements	**-**	-	**-**	-
Other	**-**	-	**(1,141)**	106
Net cash inflow/(outflow) from operating activities	**30,109**	18,102	**43,959**	24,864

27 Financial instruments

GWRC and Group have a series of policies to manage the financial risks associated with its operation. These risks include market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cashflow interest rate risk.

GWRC and Group seek to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial instruments is governed by Treasury policies which are approved by the Council / the board of directors respectively. The policies do not allow GWRC and the Group to enter into any transaction that is speculative in nature.

(a) Market risk

Currency Risk
Currency risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group manages currency risk by ensuring that where possible asset purchases are denominated in New Zealand dollars. Any foreign currency risks arising from contractual commitments and liabilities are managed by entering into forward foreign exchange contracts to hedge the foreign currency risk exposure. This means that the Group is able to fix the New Zealand dollar amount payable prior to delivery of goods and services from overseas.

As at 30 June 2019 the Council does not have any foreign exchange contracts (2018: nil). In the Group there is no FX contract as per 30 June 2019 (2018: no contract).

Fair value interest rate risk
Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group has exposure to fair value interest rate risks as a result of investments, external debt and cash balances.

To minimise the risk on external debt, management monitors the levels of interest rates on an ongoing basis and uses forward rate and swap agreements as well as interest rate collars (options) to manage interest rate exposures for future periods. At 30 June 2019 the Group had entered into the following interest rate swap agreements:

	Council		Group	
Movement in interest rate:	**2019**	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Less than one year	**45,000**	60,000	**45,000**	60,000
One to two years	**30,000**	45,000	**30,000**	45,000
Two to five years	**95,000**	105,000	**95,000**	105,000
Greater than five years	**285,000**	305,000	**285,000**	305,000
Total fair value interest rate risk	**455,000**	515,000	**455,000**	515,000

At 30 June 2019, the fixed interest rates of swaps of the Council and Group vary from 2.8175% to 5.40% (2018: 2.8175% to 5.6850%).

Cashflow interest rate risk

Cashflow interest rate risk is the risk that the cashflows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Group to cashflow interest rate risk.

Generally, the Group raises long term borrowings at floating rate and swaps this back into fixed rates using interest rate swaps to manage the cashflow interest rate risk. Under the interest rate swaps the Group agrees with other parties to exchange, at specific intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

27 Financial instruments (continued)

(a) Market risk (continued)

Sensitivity analysis

The tables below illustrate the potential profit and (loss) impact for reasonably possible market movements, with all other variables held constant, based on the Group's financial instrument exposures at balance date.

30 June 2019 **Interest rate risk**	**Council +1% Surplus/ (deficit) $'000**	**Council +1% Equity $'000**	**Council -1% Surplus/ (deficit) $'000**	**Council -1% Equity $'000**	**Group +1% Surplus/ (deficit) $'000**	**Group +1% Equity $'000**	**Group -1% Surplus/ (deficit) $'000**	**Group -1% Equity $'000**
Financial assets								
Cash at bank and term deposits	169		(169)		1,086		(1,086)	
New Zealand Local Government Funding Agency Limited borrower notes	60		(60)		60		(60)	
Bank deposits with maturity terms more than 3 months	330		(330)		330		(330)	
Bulk water supply contingency fund	292		(292)		292		(292)	
Material damage property insurance contingency fund	94		(94)		94		(94)	
Major flood contingency fund	67		(67)		67		(67)	
Bank Bonds / Floating Rate Notes								
Loan to WRC Holdings Limited	440		(440)		440		(440)	
Derivatives	(674)		702		(674)		702	
Financial liabilities								
Committed and uncommitted lines	(28)	-	28	-	(28)	-	28	-
Commercial paper	(647)	-	647	-	(647)	-	647	-
Floating Rate Notes	(3,750)	-	3,750	-	(3,750)	-	3,750	-
Derivatives	24,462		(26,729)		24,462		(26,729)	
Total sensitivity to interest rate risk	20,815		(23,054)		21,732		(23,971)	

30 June 2018 **Interest rate risk**	**Council +1% Surplus/ (deficit) $'000**	**Council +1% Equity $'000**	**Council -1% Surplus/ (deficit) $'000**	**Council -1% Equity $'000**	**Group +1% Surplus/ (deficit) $'000**	**Group +1% Equity $'000**	**Group -1% Surplus/ (deficit) $'000**	**Group -1% Equity $'000**
Financial assets								
Cash at bank and term deposits	53		(53) -		76		(76)	
New Zealand Local Government Funding Agency Limited borrower notes	45		(45) -		45		(45)	
Bank deposits with maturity terms more than 3 months	330		(330) -		330		(330)	
Bulk water supply contingency fund	104		(104) -		104		(104)	
Material damage property insurance contingency fund	47		(47) -		47		(47)	
Major flood contingency fund	63		(63) -		63		(63)	
Bank Bonds / Floating Rate Notes	70		(70) -		70		(70)	
Derivatives	(1,014)		1,063 -		(1,014)		1,063	
Financial liabilities								
Committed and uncommitted lines			-		(661)		661	
Commercial paper	(746)		746		(746)		746	

27 Financial instruments (continued)

(a) Market risk (continued)

			-		
Floating rate notes	(2,800)	2,800	-	(2,800)	2,800
Derivatives	24,784	(27,250)	-	24,784	(27,250)
Total sensitivity to interest rate risk	20,936	(23,353)	-	20,298	(22,715)

27 Financial instruments (continued)

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Financial instruments which expose the Group to credit risk are principally bank balances, receivables and investments. The Group monitors credit risk on an ongoing basis.

Bank balances, bank bonds and notes as well as short-term investments are held with New Zealand registered banks in accordance with GWRC's Treasury Risk Management Policy. No collateral is held by GWRC in respect of bank balances or investments. CentrePort Limited performs credit evaluations on all customers requiring credit and generally does not require collateral.

The Stadium advance is reliant on the Stadium Trust repaying all its external debt prior to making repayments to the settling trustees. The repayment of the stadium advance is not expected to be realised.

Concentration of credit risk

GWRC derives the majority of its income from rates, the regional water supply levy, train fares and transport subsidies. Regional water supply levies are collected from the four Wellington metropolitan cities and rates are collected for GWRC by the territorial authorities in the region on an agency basis. Funding for public transport is received from the New Zealand Transport Agency and the Ministry of Transport.

The Group does not have any significant credit risk exposure other than insurance receivable to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Insurance receivables credit risk

A total of $50 million (2018: 59 million) is recognised by CentrePort as a receivable in relation to insurance proceeds at balance date due from various insurance institutions. The credit ratings of the largest insurance credit exposure as published by Standard & Poors is rated A+ and above as at the date of these financial statements.

27 Financial instruments (continued)

(b) Credit risk (continued)

	Council		Group	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Cash at bank and term deposits	**49,857**	38,308	141,581	40,622
Trade and other receivables	**38,452**	37,674	49,498	46,937
Bank Bonds / Floating Rate Note	**5,000**	22,053	5,000	22,053
New Zealand Local Government Funding Agency Limited borrower notes	**6,400**	4,880	6,400	4,880
Stadium advance	**-**	423	-	423
Derivative financial instrument assets	**1,056**	656	1,056	656
Bulk water supply contingency fund	**29,151**	10,414	29,151	10,414
Material damage property insurance contingency fund	**9,428**	4,669	9,428	4,669
Major flood contingency fund	**6,694**	6,277	6,694	6,277
Loan to WRC Holdings Limited	**44,000**	-	-	-
Insurance receivable	**-**	-	50,000	59,268
Total credit risk	**190,038**	125,354	**298,808**	196,199

Credit quality of financial assets

The credit quality of financial assets can be assessed by reference to Standard and Poor's credit rating or to historical information about counterparty default rates.

	Council		Group	
Counterparties with credit ratings	**2019 $'000**	2018 $'000	**2019 $'000**	2018 $'000
New Zealand Local Government Funding Agency Limited borrower notes				
AA+	6,400	4,880	**6,400**	4,880
Cash at bank and term deposits				
AA-	76,658	57,121	**149,887**	59,435
A	18,472	2,547	**36,972**	2,547
Bank Bonds / Floating Rate Note	**-**	-	**-**	-
AA-	5,000	22,053	**5,000**	22,053
Derivative financial instruments				
AA-	1,056	656	**1,056**	656

(c) Liquidity risk

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

GWRC minimises liquidity risk principally by maintaining liquid financial investments and undrawn committed lines with its relationship banks in accordance with the Treasury Risk Management Policy. The investments are either in short term deposits or negotiable securities that are readily traded in the wholesale market. All counterparties have an A or better S&P rating. CentrePort Limited reduces its exposure to liquidity risk through a bank overdraft and a New Zealand dollar commercial bill facility.

27 Financial instruments (continued)

Contractual maturity analysis of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual date. Future interest payments on floating rate debt are based on the instrument at the balance date. The amounts disclosed are the contractual undiscounted cashflows.

30 June 2019	**Less than 3 months $'000**	**Less than 1 year $'000**	**1-2 years $'000**	**2-5 years $'000**	**More than 5 years $'000**	**Contractual cashflows $'000**	**Carrying amount $'000**
Council 2019							
Financial liabilities							
Trade and other payables	-	47,171	-	-	-	47,171	47,171
Commercial paper	65,000	-	-	-	-	65,000	64,713
Derivatives	2,699	8,068	10,905	28,205	20,288	70,165	67,420
Lines of credit	-	-	-	2,801	-	2,801	2,800
Floating rate notes	2,278	7,001	34,312	171,276	216,900	431,767	375,000
Fixed rate bond	-	1,078	1,078	3,234	32,540	37,930	25,000
Total financial liabilities	69,977	63,318	46,295	205,516	269,728	654,834	582,104
Council 2018							
Financial liabilities							
Trade and other payables	-	41,737	-	-	-	41,737	41,737
Commercial paper	75,000	-	-	-	-	75,000	74,622
Derivatives	2,166	7,145	8,414	17,419	9,116	44,260	41,718
Lines of credit	-	-	-	-	-	-	-
Floating rate notes	1,894	30,509	6,939	68,629	223,158	331,129	280,000
Fixed rate bonds	-	1,078	1,078	3,234	33,618	39,008	25,000
Total financial liabilities	79,060	80,469	16,431	89,282	265,892	531,134	463,077
Group 2019							
Financial liabilities							
Trade and other payables	-	59,069	-	-	-	59,069	59,069
Commercial paper	65,000	-	-	-	-	65,000	64,713
Derivatives	2699	8068	10,905	28,205	20,288	70,165	67,420
Lines of credit	-	-		2801		2,801	2,800
Floating rate notes	2,278	7,001	34,312	171,276	216,900	431,767	375,000
Fixed rate bond	-	1,078	1,078	3,234	33,618	39,008	25,000
WRCH Group Loans	-	-	-	-	-	-	-
Total financial liabilities	69,977	75,216	46,295	205,516	270,806	667,810	594,002
Group 2018							
Financial liabilities							
Trade and other payables	-	48,577	-	-	-	48,577	48,577
Commercial paper	75,000	-	-	-	-	75,000	74,622
Derivatives	2,166	7,145	8,414	17,419	9,116	44,260	41,718
Floating rate notes	1,894	30,509	6,939	68,629	223,158	331,129	280,000
Crown loans	-	1,078	1,078	3,234	66,318	71,708	25,000
WRCH Group Loans	220	22,700	44,300	-	-	67,220	66,120
Total financial liabilities	79,280	110,009	60,731	89,282	298,592	637,894	536,037

27 Financial instruments (continued)

(d) Fair value hierarchy disclosures

For those instruments recognised at fair value in the balance sheet, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) - Financial instruments with quoted prices for identical instruments in active markets.

- Valuation technique using observable inputs (level 2) - Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

- Valuation techniques with significant non-observable inputs (level 3) - Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position.

Council	**Significant non observable inputs $'000**	**Observable inputs $'000**	**Quoted market price $'000**	**Total $'000**
30 June 2019				
Financial assets				
Bank bonds / notes	-	5,000	-	5,000
New Zealand Local Government Funding Agency Limited borrower notes	-	6,400	-	6,400
Stadium advance	-	-	-	-
Civic Financial Services Limited shares	128	-	-	128
New Zealand Local Government Funding Agency Limited shares	5,153	-	-	5,153
Derivative financial instrument assets	-	1,056	-	1,056
Total assets	5,281	12,456	-	17,737

27 Financial instruments (continued)

(d) Fair value hierarchy disclosures (continued)

Financial liabilities				
Derivative financial instrument liabilities	-	67,420	-	67,420
Fixed rate bonds	-	25,000	-	25,000
Floating rate notes	-	375,000	-	375,000
Total liabilities	-	467,420	-	467,420

30 June 2018	**Significant non observable inputs $'000**	**Observable inputs $'000**	**Quoted market price $'000**	**Total $'000**
Financial assets				
Bank bonds / notes	-	22,053	-	22,053
New Zealand Local Government Funding Agency Limited borrower notes	-	4,880	-	4,880
Stadium advance	423	-	-	423
Derivative financial instrument assets	-	656	-	656
Total assets	423	27,589	-	28,012
Financial liabilities				
Derivative financial instrument liabilities	-	41,718	-	41,718
Fixed rate bonds	-	25,000	-	25,000
Floating rate notes	-	280,000	-	280,000
Total liabilities	-	346,718	-	346,718

Group	**Significant non observable inputs $'000**	**Observable inputs $'000**	**Quoted market value $'000**	**Total $'000**
30 June 2019				
Financial assets				
Bank bonds / notes	-	5,000	-	5,000
New Zealand Local Government Funding Agency Limited borrower notes	-	6,400	-	6,400
Stadium advance	-	-	-	-
Civic Financial Services Limited shares	128	-	-	128
New Zealand Local Government Funding Agency Limited shares	5,153	-	-	5,153
Derivative financial instrument assets	-	1,056	-	1,056
Total assets	5,281	12,456	-	17,737
Liabilities				
Derivative financial instrument liabilities	-	67,420	-	67,420
Fixed rate bonds	-	25,000	-	25,000
Floating rate notes	-	375,000	-	375,000
Bank loans	-	-	-	-
1. **Total liabilities**	-	467,420	-	467,420

27 Financial instruments (continued)

(d) Fair value hierarchy disclosures (continued)

30 June 2018

Financial assets				
Bank bonds / notes	-	22,053		22,053
New Zealand Local Government Funding Agency				
Limited borrower notes	-	4,880		4,880
Stadium advance	423	-		423
Derivative financial instrument assets	-	656		656
Total assets	423	27,589		28,012
Financial Liabilities				
Derivative financial instrument liabilities	-	41,718	-	41,718
Fixed rate bonds	-	25,000	-	25,000
Floating rate notes	-	280,000	-	280,000
Bank loans	-	66,120	-	66,120
Total liabilities	-	412,838	-	412,838

There were no transfers between the different levels of the fair value hierarchy.

27 Financial instruments (continued)

(d) Fair value hierarchy disclosures (continued)

Valuation techniques with significant non observable inputs (level 3)

The table below provides a reconciliation from the opening balance to the closing balance of the level 3 fair value measurements. *

Council	Level 3 $'000
Balance at 1 July 2018	2,369
Gain and losses recognised in the operating surplus or deficit	-
Gain and losses recognised in other comprehensive revenue and expense	2,912
Maturing debt / Transfer out	-
Balance at 30 June 2019	5,281
Balance at 1 July 2017	5,251
Gain and losses recognised in the operating surplus or deficit	-
Gain and losses recognised in other comprehensive revenue and expenses	(2,882)
Maturing debt / transfer out	-
Balance at 30 June 2018	2,369

Group	Level 3 $'000
Balance at 1 July 2018	-
Gain and losses recognised in the operating surplus or deficit	-
Gain and losses recognised in other comprehensive revenue and expense	-
Maturing debt / Transfer out	-
Balance at 30 June 2019	-
Balance at 1 July 2017	3,305
Gain and losses recognised in the operating surplus or deficit	-
Gain and losses recognised in other comprehensive revenue and expense	(2,882)
Maturing debt / Transfer out	-
Balance at 30 June 2018	423
Total gains or losses for the period included in surplus or deficit for assets held at the end of the reporting period	-

GWRC - without prejudice - does not expect the repayment of the stadium advance and consequently the asset is fully impaired. The asset is written back by $428,000 (2018: $2,882,000 write back) to $1 (2018: $428,000).

* The Opening Balance per 01 July 2017 was increased by $1,866,000 for the value of the New Zealand Local Government Funding Agency shares and by $80,000 for the shares in Civic Financial Services Limited.

27 Financial instruments (continued)

(e) Financial instrument categories

Council	Assets at fair value through surplus or deficit $'000	Assets at fair value through other comprehensive revenue and expense $'000	Shares, Loans and receivables $'000	Held to maturity investments $'000	Total $'000
Assets					
30 June 2019					
Cash and cash equivalents	-	-	9,857	7,000	16,857
Receivables and pre-payments	-	-	38,452	-	38,452
NZ Local Government Funding Agency shares	-	5,153	-	-	5,153
Civic Financial Services Limited shares	-	128	-	-	128
Wellington Water Limited Shares	-	-	150	-	150
NZ Local Government Funding Agency Borrowers Notes	-	-	-	6,400	6,400
Warm Wellington Funding	-	-	9,985	-	9,985
Bank Deposits with maturity terms more than 3 months	-	-	-	33,000	33,000
Stadium advance	-	-	-	-	-
Bulk Water Supply Contingency Fund	-	-	-	34,151	34,151
Material Damage Property Insurance Contingency Fund	-	-	-	9,428	9,428
Major Flood Contingency Fund	-	-	-	6,694	6,694
Derivative financial instruments	1,056	-	-	-	1,056
Loan to WRC Holdings Limited	-	-	-	44,000	44,000
Total assets	1,056	5,281	58,444	140,673	205,454
30 June 2018					
Cash and cash equivalents	-	-	210	5,098	5,308
Receivables and pre-payments	-	-	37,674	-	37,674
NZ Local Government Funding Agency Shares	-	-	1,866	-	1,866
Civic Financial Services Limited shares	-	-	80	-	80
Wellington Water Limited Shares	-	-	150	-	150
NZ Local Government Funding Agency Borrowers Notes	-	-	-	4,880	4,880
Warm Wellington Funding	-	-	11,196	-	11,196
Bank Deposits with maturity terms more than 3 months	-	-	-	33,000	33,000
Stadium advance	423	-	-	-	423
Bulk Water Supply Contingency Fund	-	-	-	28,646	28,646
Material Damage Property Insurance Contingency Fund	-	-	-	8,489	8,489
Major Flood Contingency Fund	-	-	-	6,277	6,277
Derivative financial instruments	656	-	-	-	656
Total assets	1,079	-	51,176	86,390	138,645

27 Financial instruments (continued)

(e) Financial instrument categories (continued)

Assets	Assets at fair value through surplus or deficit $'000	Assets at fair value through other comprehensive revenue and expense $'000	Shares, Loans and receivables $'000	Held to maturity investments $'000	Total $'000
Group					
30 June 2019					
Cash and cash equivalents	-	-	101,585	7,000	108,585
Receivables and pre-payments	-	-	49,498	-	49,498
NZ Local Government Funding Agency Shares	-	5,153	-	-	5,153
Civic Financial Services Limited shares	-	128	-	-	128
Wellington Water Limited Shares	-	-	150	-	150
NZ Local Government Funding Agency Borrowers Notes	-	-	-	6,400	6,400
Warm Wellington Funding	-	-	9,985	-	9,985
Bank Deposits with maturity terms more than 3 months	-	-	-	33,000	33,000
Stadium advance	-	-	-	-	-
Bulk Water Supply Contingency Fund	-	-	-	34,151	34,151
Material Damage Property Insurance Contingency Fund	-	-	-	-	-
Major Flood Contingency Fund	-	-	-	9,428	9,428
Material Damage Property Insurance Contingency Fund	-	-	-	6,694	6,694
Derivative financial instruments	1,056	-	-	-	1,056
Total assets	1,056	5,281	161,218	96,673	264,228
30 June 2018					
Cash and cash equivalent	-	-	2,524	5,098	7,622
Receivables and prepayments	-	-	46,937	-	46,937
NZ Local Government Funding Agency Shares	-	-	1,866	-	1,866
Local Government Insurance Corp Shares	-	-	80	-	80
Wellington Water Limited Shares	-	-	150	-	150
Bank Bonds / Notes	-	-	-	4,880	4,880
Warm Wellington Funding	-	-	11,196	-	11,196
NZ Local Government Funding Agency Borrowers Notes	-	-	-	-	-
Bank Deposits with maturity terms more than 3 months	-	-	-	33,000	33,000
Stadium advance	423	-	-	-	423
Water Supply Contingency Investment	-	-	-	28,646	28,646
Material Damage Property Insurance Contingency Fund	-	-	-	8,489	8,489
Major Flood Contingency Fund	-	-	-	6,277	6,277
Derivative financial instruments	656	-	-	-	656
Total assets	1,079	-	62,753	86,390	150,222

27 Financial instruments (continued)

(e) Financial instrument categories (continued)

Liabilities	Liabilities at fair value through surplus or deficit $'000	Measured at amortised cost $'000	Total $'000
Council			
30 June 2019			
Trade and other payables	-	47,171	47,171
Committed Lines	-	2,800	2,800
Commercial paper	-	64,713	64,713
Floating rate notes	-	375,000	375,000
Fixed Rate Bond	-	25,000	25,000
Derivative financial instruments	67,420	-	67,420
Total liabilities	67,420	514,684	582,104
30 June 2018			
Trade and other payables	-	41,737	41,737
Committed Lines	-	-	-
Commercial paper	-	74,622	74,622
Floating rate notes	-	280,000	280,000
Fixed rate bond	-	25,000	25,000
Derivative financial instruments	41,718	-	41,718
Total liabilities	41,718	421,359	463,077

Liabilities	Liabilities at fair value through surplus or deficit $'000	Measured at amortised cost $'000	Total $'000
Group			
30 June 2019			
Trade and other payables	-	64,206	64,206
Committed Lines	-	2,800	2,800
Commercial paper	-	64,713	64,713
Bank loans	-	-	-
Floating rate notes	-	375,000	375,000
Fixed rate bond	-	25,000	25,000
Derivative financial instruments	67,420	-	67,420
Total liabilities	67,420	531,719	599,139
30 June 2018			
Trade and other payables	-	48,577	48,577
Commercial paper	-	74,622	74,622

27 Financial instruments (continued)

(e) Financial instrument categories (continued)

Bank loans	-	66,120	66,120
Floating rate notes	-	280,000	280,000
Fixed rate bond	-	25,000	25,000
Derivative financial instruments	41,718	-	41,718
Total liabilities	41,718	494,319	536,037

28 Contingencies

	Council		Group	
	Actual 2019 $'000	Actual 2018 $'000	**Actual 2019 $'000**	Actual 2018 $'000
Legal proceedings and obligations	**-**	-	**-**	-
Uncalled capital - WRC Holdings Limited				
50,000,000 $1 shares uncalled and unpaid	**50,000**	50,000	**-**	-
170,200,000 $1 shares, 158,374,024 shares called and paid	**-**	11,826	**-**	-
19,000,000 $1 shares, 874,024 shares called and paid	**18,126**	-	**-**	-
Guarantee for CentrePort debt obligations	**50,000**	125,000	**-**	-
New Zealand Local Government Funding Agency Limited				
1,866,000 $1 shares uncalled and unpaid	**1,866**	1,866	**1,866**	1,866
Total contingencies	**119,992**	188,692	**1,866**	1,866

GWRC is a founding shareholder of the New Zealand Local Government Funding Agency Limited (LGFA). As part of the arrangement GWRC has guaranteed the debt obligations of the LGFA along with other shareholders of the LGFA in proportion to its level of rates revenue. GWRC believes the risk of this guarantee being called on is extremely low, given the internal liquidity arrangements of the LGFA, the lending covenants of the LGFA and the charge over rates the LGFA has from councils. Total security stock certificates on issue is $9,840,000,000 (2018: $8,594,000,000).

The Group has made a claim with its insurers for damages incurred to its port assets and infrastructure from the November 2016 earthquake. The insurers have accepted that the damage is covered under the group insurance policies, however, the final settlement amount has not yet been agreed.

Until the insurance claim process is finalised it is not possible to reliably estimate the value of the contingent asset.

29 Related party transactions

Related party disclosures have not been made for transaction with related parties that are with a normal supplier or client/recipient relationship on terms and condition no more favourable than those that it is reasonable to expect the Council and Group would have adopted in dealing with the party at arm's length in the same circumstances.

Related party disclosures have also not been made for transactions with entities within the Council Group, where the transactions are consistent with the normal operating relationships between the entities and are on normal terms and conditions for such transactions.

Related party transactions required to be disclosed

The Council has paid Wellington Regional Economic Development Agency (WREDA) totals grants of $4.4m during the year (2018: $4.3m). This grant partly funds WREDA activities, of supporting the development of economic development strategies and initiatives for Wellington. The Council has collected these funds for the grant via the targeted WRS rate from all ratepayers.

29 Related party transactions (continued)

Key management personnel

	Parent Actual 2019 $'000	Parent Actual 2018 $'000
Council		
Remuneration	**1,095**	1,101
Full-time equivalent members	**13**	13
Executive Leadership Team including the Chief Executive		
Remuneration	**2,691**	2,355
Full-time equivalent members	**10**	9
Total key management personnel remuneration	**3,786**	**3,456**
Total full-time equivalent personnel	**22**	**22**

Due to the difficulty in determining the full-time equivalent for Councillors, the full-time equivalent figure is taken as the number of Councillors.

30 Remuneration

Chief Executive remuneration

For the year ending 30 June 2019, GWRC's Chief Executive, appointed under section 42(1) of the Local Government Act 2002, received a total remuneration from GWRC of $440,522 (2018: $429,886).

	Actual 2019 $	Actual 2018 $
Councillor remuneration		
Councillor R Blakeley	**78,110**	79,812
Councillor J Brash	**66,415**	64,855
Councillor I McKinnon	**78,110**	77,458
Councillor A Staples	**80,492**	83,030
Councillor B Donaldson	**97,838**	97,878
Councillor P Gaylor	**69,661**	74,164
Councillor S Kedgley	**81,511**	81,594
Councillor K Laban	**65,403**	64,855
Chair C Laidlaw	**168,000**	167,166
Councillor P Lamason	**81,508**	83,419
Councillor D Ponter	**81,473**	81,328
Councillor P Swain	**81,473**	80,790
Councillor D Ogden	**65,403**	64,855
Total Councillors remuneration	**1,095,367**	1,101,204

The following table identifies the number of full time employees, including employees on maternity leave and their fixed term replacements, and the full time equivalent number of all other part-time, fixed term and casual employees as at the end of the reporting period, 30 June 2019.

	Number of employees 2019	**2018**
$60,000 and below	**80**	106
$60,001 - $79,999	**142**	156
$80,000 - $99,999	**129**	112
$100,000 - $119,999	**77**	76
$120,000 - $139,999	**47**	33
$140,000 - $159,999	**13**	14
$160,000 - $179,999	**22**	15
$180,000 - $199,999	**6**	7
$200,000 - $239,999	**8**	9
$240,000 - $440,000	**7**	6
Total Employees	**531**	534
The number of full time employees as at 30 June 2019	**412**	473
The full time equivalent number of all other non-full time employees	**44**	43
The number of employees receiving total remuneration of less than $60,000	**80**	106

A full time employee or full time equivalent is based on a 40 hour week.

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

If the number of employees for any band was 5 or less then it has been combined with the next highest band. Including the Chief Executive, the top band range is $240,000 - $440,000.

31 Capital commitments and operating leases

	Council		Group	
	Actual 2019 $'000	Actual 2018 $'000	**Actual 2019 $'000**	Actual 2018 $'000
Capital commitments				
Property, plant and equipment	**606**	6,511	**80,153**	83,253

WRC Holdings Limited and Port Investments Limited have no capital or operating commitments as at 30 June 2019 (2018: nil)

At balance date CentrePort had entered into commitments for the acquisition of property, plant, and equipment amounting to $11.7m for the Group (2018: $5.1m).

Greater Wellington Rail at balance date had commitments in respect of contracts for capital expenditure of $67.8 million (2018: $71.6 million). This relates to the heavy maintenance the rolling stock.

Operating leases as lessee
Future minimum lease payments under non-cancellable operating leases as at 30 June are as follows:

	Council		Group	
	Actual 2019 $'000	Actual 2018 $'000	**Actual 2019 $'000**	Actual 2018 $'000
Within one year	**11,490**	2,574	**11,822**	2,919
After one year but no more than five years	**58,856**	2,439	**59,808**	3,433
More than five years	**97,079**	613	**97,555**	1,268
Total non-cancellable operating leases	**167,425**	5,626	**169,185**	7,620

These leases have an average life of between 1 and 10 years with some renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

During the year $2,143,395 was recognised as an expense in the statement of comprehensive income (2018: $2,109,478). Contingent rent was not paid (2018: Nil).

Operating leases as lessor

The Group leases its investment properties under operating leases. The lease terms have non-cancellable terms from 1-4 years. The future aggregated minimum lease receipts to be collected under non-cancellable operating leases are as follows:

	Council		Group	
	Actual 2019 $'000	Actual 2018 $'000	**Actual 2019 $'000**	Actual 2018 $'000
Within one year	**3,328**	2,703	**21,384**	16,632
After one year but no more than five years	**8,208**	6,428	**64,902**	56,074
More than five years	**26,301**	9,150	**45,592**	41,438
Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases not recognised in the financial statements	**37,837**	18,281	**132,878**	114,144

31 Capital commitments and operating leases (continued)

No contingent rents have been recognised in the statement of comprehensive income during the period.

32 Severance payments

There were two employees (2018: one) who received severance payments of $80,951 (2018: $22,910). This disclosure has been made in accordance with Section 33 of schedule 10 of the Local Government Act 2002.

33 Rating base information

		Total
(a) the number of rating units within the district or region of the local authority at the end of the preceding financial year:		204,711
(b) the total capital value of rating units within the district or region of the local authority at the end of the preceding financial year:	$	148,307,466,881
(c) the total land value of rating units within the district or region of the local authority at the end of the preceding financial year.	$	73,311,223,381

34 Major variances between actual and budget

Statement of comprehensive revenue and expenses	**Council Actual 2019 $'000**	Council Budget 2019 $'000
Revenue		
Rates and levies	**164,741**	165,180
Grants and subsidies	**85,122**	81,274
Other revenue	**124,440**	123,181
Total operational revenue	**374,303**	369,635
Expenditure		
Finance costs	**(23,341)**	(22,581)
Operational Expenditure	**(365,375)**	(359,025)
Operational surplus / (deficit) for the year before transport improvements	**(14,413)**	(11,971)
Transport Improvements grants and subsidies revenue	**11,423**	24,439
Transport improvement expenditure	**-**	-
Net revenue / (expenditure) for transport improvements	**11,423**	24,439
Surplus / (deficit) for the year before tax and fair value gains / losses	**(2,990)**	12,468
Asset Revaluation	**12,182**	1,140
Fair value gains / (losses) in revenue and expenditure statement	**(25,725)**	8,907
Total comprehensive income / (deficit) for the year	**(16,533)**	22,515

Balance sheet		
Assets		
- Current	**137,749**	83,218
- Non-current	**1,568,118**	1,600,218
Total assets	**1,705,867**	1,683,436
Liabilities		
- Ratepayers equity	**1,090,877**	1,167,077
- Current liabilities	**116,455**	169,442
- Non-current liabilities	**498,535**	346,917
Total equity and liabilities	**1,705,867**	1,683,436

Statement of cash flow		
Cashflows from operating activities	**30,109**	38,955
Cashflows from investing activities	**(106,451)**	(127,155)
Cashflows from financing activities	**87,891**	91,951
Net increase / (decrease) in cash, cash equivalents and bank overdraft	**11,549**	3,751
Cash and cash equivalents at the beginning of the year	**5,308**	15,164
Cash and cash equivalents at the end of the year	**16,857**	18,915

GWRC's 2018/19 net operating deficit before fair value gains and losses is $3 million, compared with a budgeted surplus of $12.5 million. Including asset revaluation ($12 million), fair value movements (negative $25.7 million) and net deficit of $16.5 million which is $39 million below budget.

34 Major variances between actual and budget (continued)

Significant components of this variance are:

1. Rates and levies

Greater Wellington rates and levies revenue was $0.4m lower than budget due to reduced targeted rates collection for Warm Wellington.

2. Grants and subsidies revenue

Greater Wellington primarily receives grants and subsidies revenue to fund key transport programmes. Grants and subsidies revenue was greater than budget by $3.8m. This reflects higher revenue received as higher than budgeted costs were incurred in the public transport activities.

3. Other revenue

Greater Wellington receives revenue from external fees and charges, interest, dividend revenue and any gains or losses on the disposal of assets. Other revenue was higher than budget by $1.3m, key variances to budget were:

- Higher interest income of $2.6m due to prefunding debt and replacing external funding to WRC Holdings Ltd with funding via the Council.
- Higher dividend income flowing from CentrePort $0.4m
- Higher rental income of $0.2m
- Offset by unbudgeted losses on the disposal of assets of $2.7m

4. Transport improvements

Greater Wellington primarily receives grants revenue to fund key transport projects that are of a capital nature. Grants and subsidies revenue is $13m lower than budgeted which reflects lower than budgeted capital expenditure.

5. Finance Costs

Greater Wellington incurs finance costs on the debt it uses to fund capital expenditure. Finance costs are $0.8m higher than budgeted due replacing external funding to WRC Holdings Ltd with funding via the Council offset by lower interest costs and lower debt levels excluding the funding to Wellington Regional Council Holdings Ltd.

6. Operational Expenditure

Greater Wellington incurs a range of costs in undertaking its various operational activities. Total operational expenditure was $6.4m above budget. The key driver of the variance relates to contractors and consultants associated with various projects including public transport, various technology projects and a review of key financial and asset management systems.

7. Asset Revaluations

Greater Wellington revalues it assets on a regular basis. The revaluation of public transport assets in the current year resulted in a higher value of these assets than anticipated.

8. Fair Value Adjustment

Fair value adjustments is unfavourable to budget by $34.6m reflecting the decrease of the fair value of the interest rate swaps held by Greater Wellington due to the continuing decrease in market interest rates and the write down of the Wellington Regional Stadium Trust advance.

9. Current Assets

The key driver of the higher level of current assets relates to replacing external funding to WRC Holdings Ltd with funding via the Council of $44m. This is reflected as a current asset for the Council.

10. Ratepayer Equity

The key driver of the lower than budget ratepayer equity is the unfavourable variance to budget re the fair value adjustments referred to above.

34 Major variances between actual and budget (continued)

11. Current & Non Current Liabilities

The key drivers of the higher level of liabilities compared to budget relate to the derivatives and non-interest bearing liabilities not being included in the budget position.

12. Cash Flows

The overall cash position (including cash equivalents) is only slightly down on budget as a result of a lower cash position at the beginning of the financial year being offset by lower cash outflows in relation to capital expenditure.

35 Events occurring after the balance date

No dividend was declared post balance date by WRC Holdings (2018: Nil).

Subsequent to balance date the Reserve Bank reduced the Official Cash rate (OCR) on 7 August to1.0% and market interest rates have reduced. This will reduce interest costs on floating rate borrowings and increase the liability values for the existing floating to fixed interest rate swaps.

Financials statements will be authorised for issue by Council on 2 October 2019.

There were no other subsequent events up to the date of these financial statements which would affect the amounts or disclosures in the financial statements.

He tauākī whākinga a te Pūrongo ā-Tau mō te tau ka oti i te 30 o Hune 2019

Annual Report disclosure statement for year ended 30 June 2019

What is the purpose of this statement?

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

The Council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations).

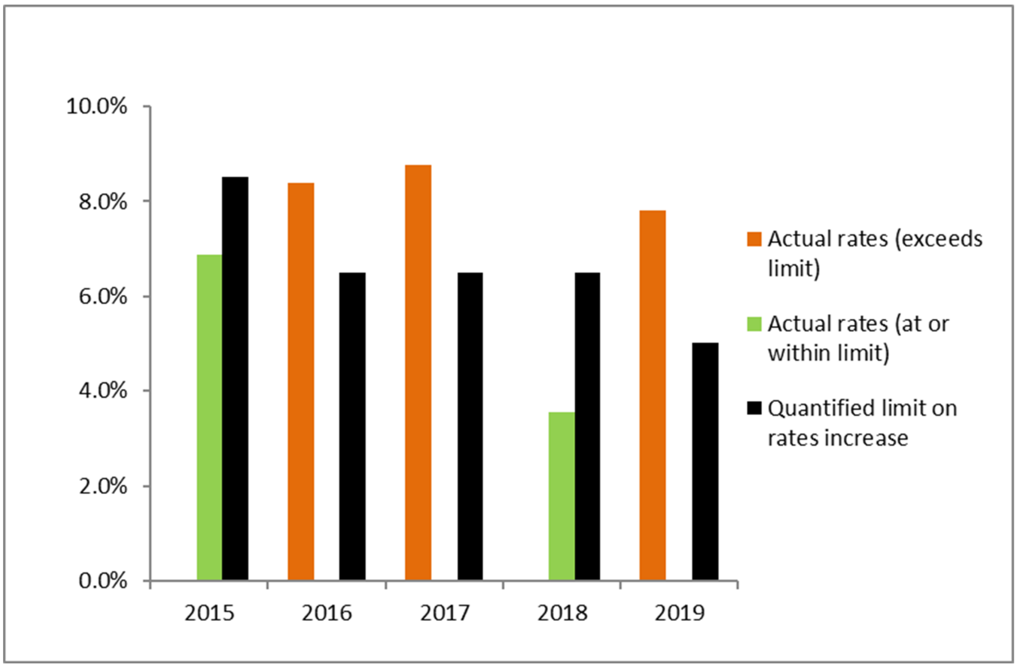
Refer to the regulations for more information, including definitions of some of the terms used in this statement.

The following graphs need to be read collectively and in conjunction with the attached financial statements. Individually these graphs show a particular view on one aspect of the financial health and management of the Council.

It is also important to keep in mind the overall strategy and policies the Council has also adopted when reading these graphs. These are included within the Long Term Plan 2018-28.

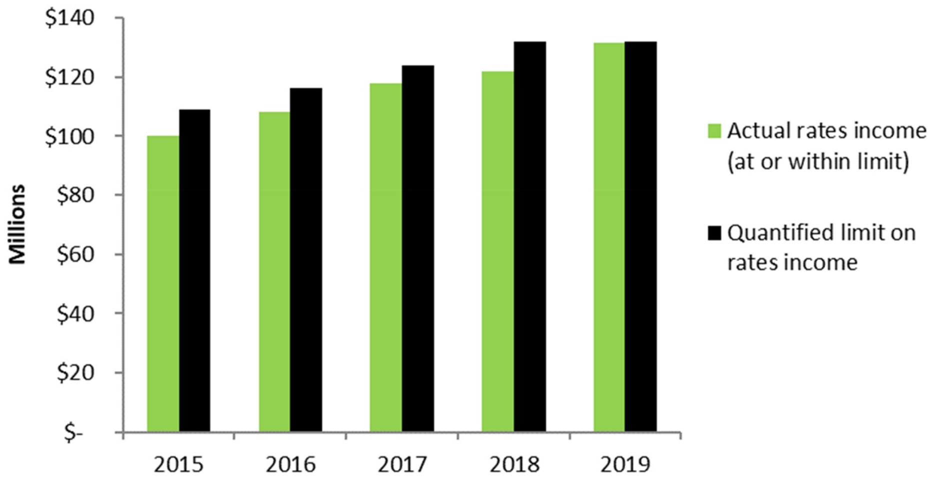
Rates (increases) affordability

Greater Wellington adopted an average increase of 5.0% per annum (around $30, GST inclusive, per year for the average residential ratepayer) in its Long Term Plan 2018-28 as it continues to significantly invest in improving the public transport network and the on-going flood protection programme.



Rates income affordability

This graph shows the total rates.



Balanced budget

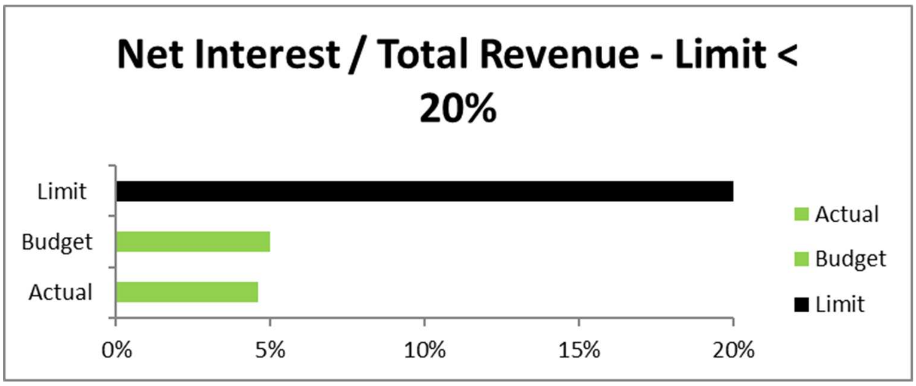
This graph shows whether the Council has been receiving revenue greater or less than its operational expenditure, i.e. whether the Council has raised adequate revenue to meet its on-going operational costs including depreciation and other non-cash adjustments.

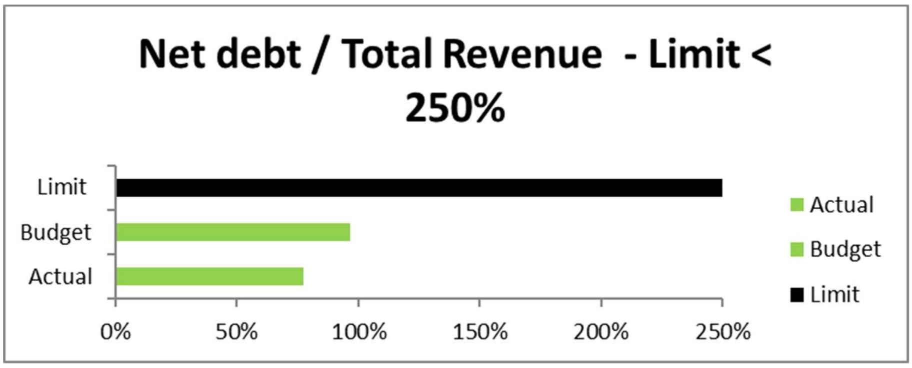
Over recent years the Council has been exceeding this benchmark.

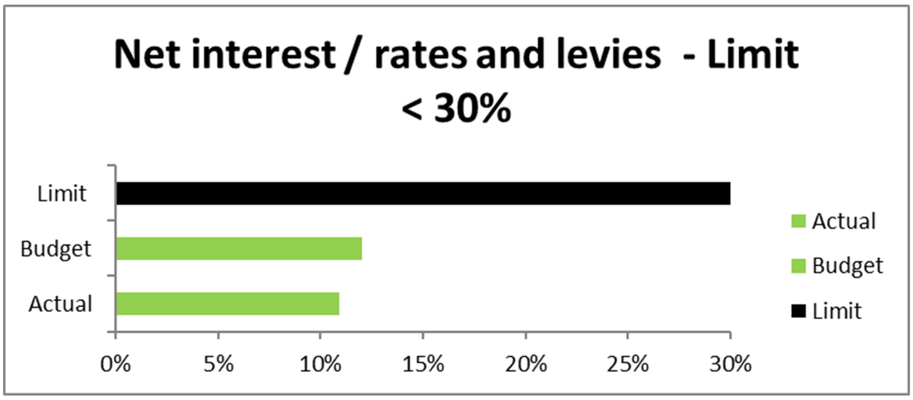
Financial Strategy financial limits

The goal of the Council's Financial Strategy is to ensure the Council delivers good value for ratepayers' investment by delivering the right services at the best cost. The Strategy encompasses three key financial limits that the Council adopted in its Long term Plan 2018-28.

These graphs show that the Council is being managed within these financial prudential limits.



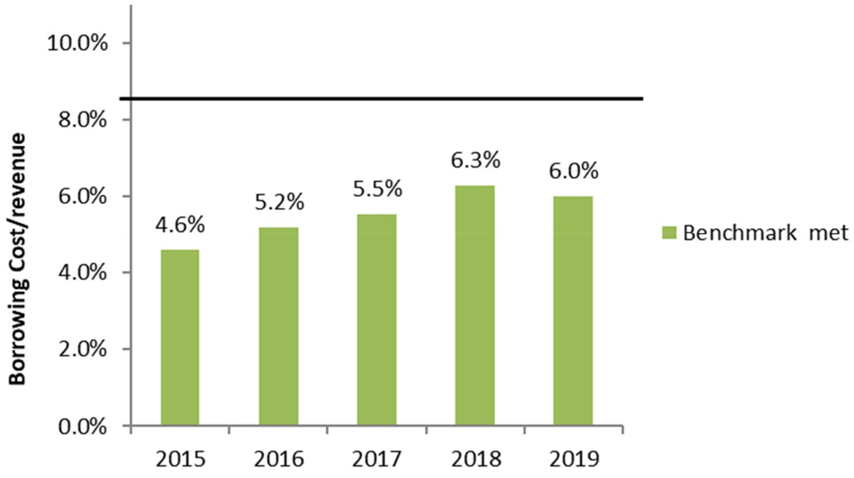



Net interest / rates and levies - Limit < 30%
Limit
Budget
Actual
0%
5%
10%
15%
20%
25%
30%
Actual
Budget
Limit

Debt affordability graphs – debt servicing

This graph shows the percentage of borrowing costs to revenue. A higher percentage indicates a higher exposure to shifts in interest rates. The benchmark prudential limit is set by Central Government at 10% for non-high population growth regions.

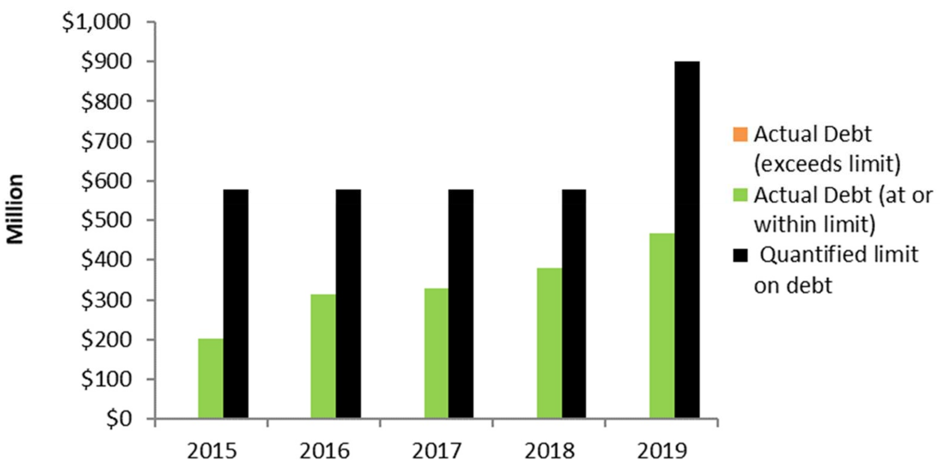
The Council continues to satisfy this benchmark test.



Debt affordability graphs – debt balance

This graph shows the actual debt compared to the debt limit adopted in the Long Term Plan 2018-28. In the Long Term Plan 2018-28 the debt projection was for it to peak at $763 million in 2014/25 as the full impact of the investment in upgrading the public transport network, the substantial flood protection work in the Hutt valley and the significant bulk water resilience projects are completed.

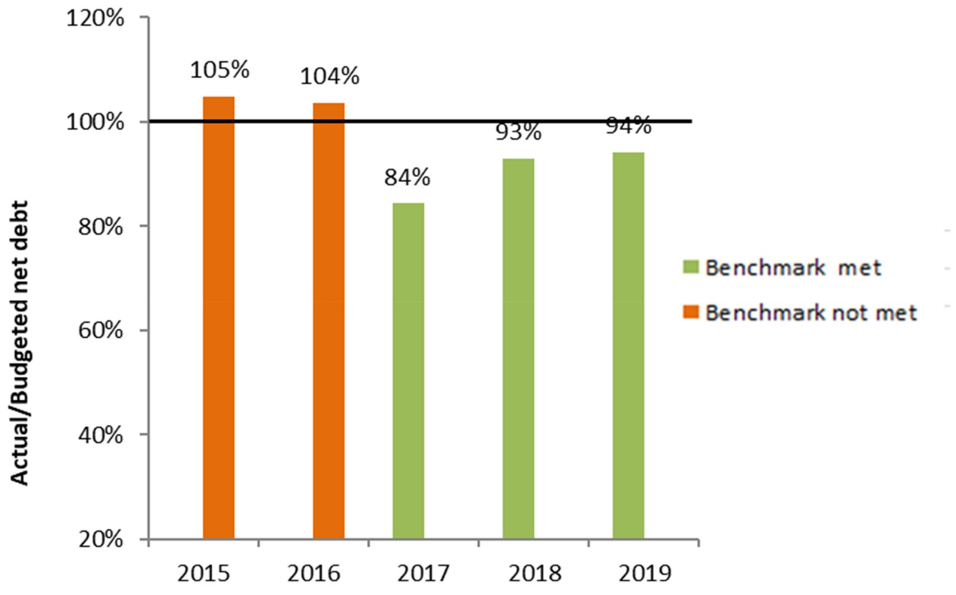
The Council is satisfying this benchmark test.



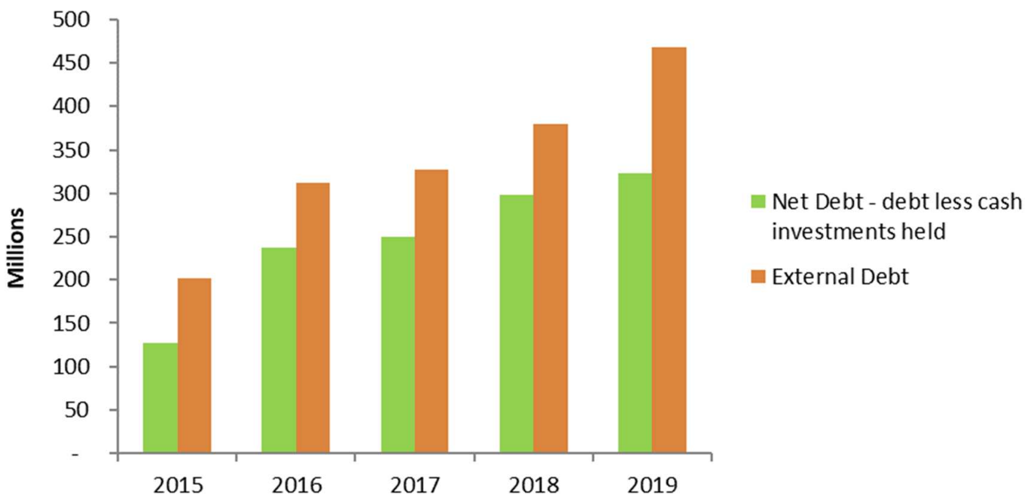
Debt affordability graphs – debt benchmark

This graph indicates whether actual net debt is less than the budgeted net debt position. Percentages close to 100% indicate that our actual result is close to what we planned.

The Council meets this benchmark.



This graph shows that cash investments significantly lower the overall outstanding debt position.

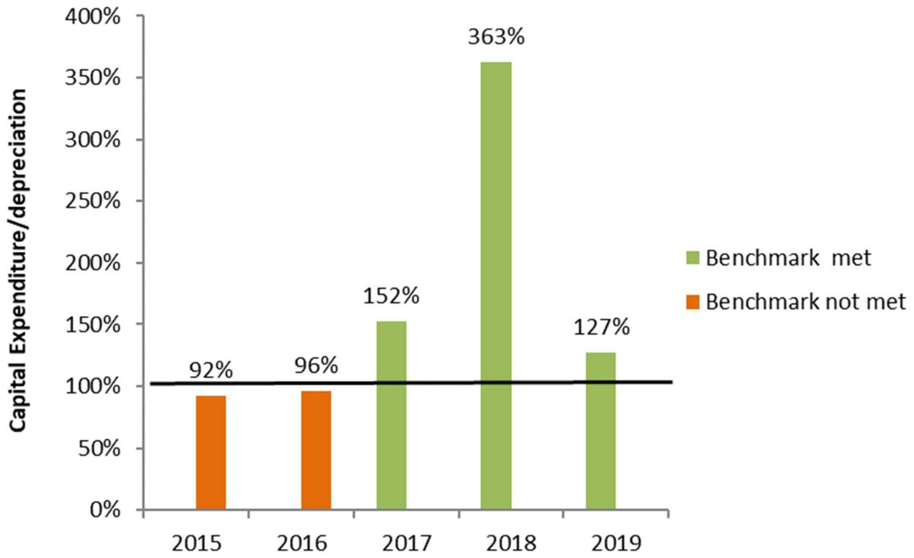


Essential services

This graph compares actual capital expenditure with depreciation. The general concept is that over time capital expenditure will be similar to depreciation indicating that assets are being replaced in an appropriate and timely manner. As a requirement of the legislation this only includes flood protection and water assets.

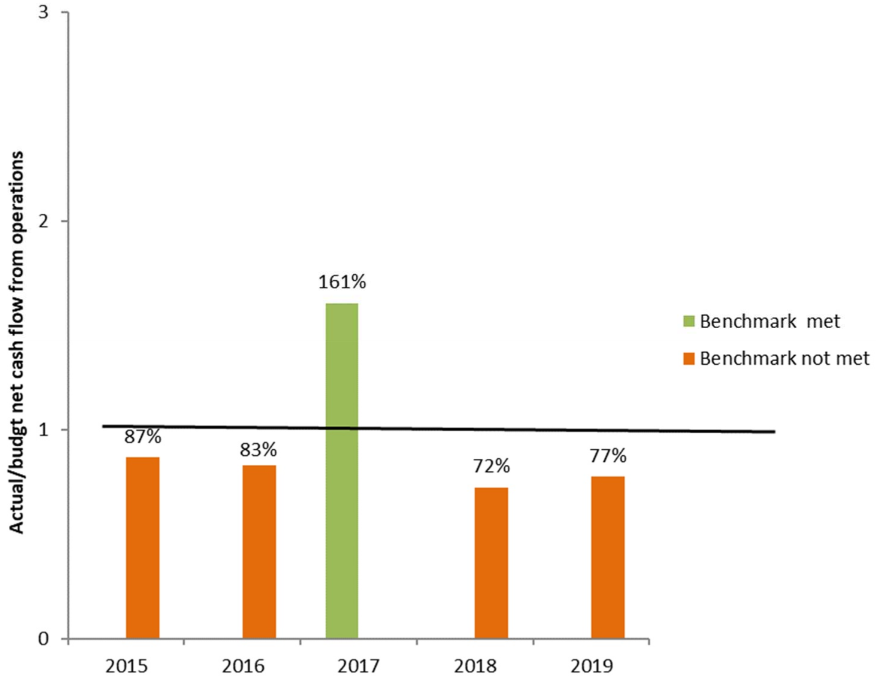
Over time we are meeting this benchmark due to the ongoing new flood protection works being built around the region.

With very long life assets it will not be unexpected to have large periods of time where the results are below this benchmark level.



Operational cash control

This graph shows whether our actual cashflow from operations was close to our budgeted position. With infrastructure projects, there are often variations in timing that cause large differences between budget and actual in a given period.



He tauākī mō te tutukinga o ngā tūtohu me ngā haepapa

Statement of compliance and responsibility

Compliance

The Council and Greater Wellington's management confirm that all the statutory requirements of the Local Government Act 2002 in relation to the annual report have been complied with.

Responsibility

The Council and Greater Wellington management accept responsibility for preparing the annual financial statements and judgements used in them. The Council and Greater Wellington management accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Council and Greater Wellington management, the annual financial statements for the year ended 30 June 2019 fairly reflect the financial position and operations of the Greater Wellington Regional Council.

Chris Laidlaw
Chair
10 October 2019

Greg Campbell
Chief Executive
10 October 2019

Alan Bird
Chief Financial Officer
10 October 2019

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

He Pūrongo Arotake Pūtea | Audit Report

Insert from Audit

Audit Report continued.

Ētahi atu taipitopito korero/Other information:

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Ko te Tū ā Komiti o te Kaunihera | Council committee structure

As at September 2019

(c) Chair
(d) Deputy Chair (if appointed)

Council
Cr Laidlaw (c)
Cr Donaldson (d)

Chief Executive Employment Review	Environment	Finance, Risk and Assurance	Regional Transport	Sustainable Transport	Te Upoko Taiao – Natural Resources Plan	Wairarapa	Wellington Regional Strategy
Cr Ian McKinnon (c)	Cr Sue Kedgley (c) Cr Jenny Brash (d)	Cr Paul Swain (c)	Cr Barbara Donaldson (c) Cr Chris Laidlaw (d)	Cr Barbara Donaldson (c) Cr Daran Ponter (d)	Cr Daran Ponter (co-c) Hikitia Ropata (co-c)	Cr Staples (c) Cr Barbara Donaldson (d)	Mayor Justin Lester (c) (WCC) Cr Roger Blakeley (d)

Ko tā Te Pane Matua Taiao tū | Greater Wellington Structure

Greg Campbell
Chief Executive

- **Wayne Hastie** – General Manager Strategic Programmes
- **Samantha Gain** – Acting General Manager Corporate Services
  - Finance
  - Information, Communication & Technology
  - Legal, Procurement and Asset Management
  - Treasury
  - Programme Management Office
- **Nigel Corry** – Acting General Manager People & Customer
  - Customer Contact
  - Human Resources
  - Health & Safety
  - Customer Engagement
- **Greg Pollock** – General Manager Public Transport
  - Bus & Ferry Operations
  - Rail Operations
  - Public Transport Planning
- **Al Cross** – Acting General Manager Environment Management
  - Environmental Policy
  - Environmental Regulation
  - Environmental Science
  - Harbours
  - Parks
- **Wayne O'Donnell** – General Manager Catchment Management
  - Biosecurity
  - Biodiversity
  - Flood Protection
  - Land Management
- **Luke Troy** – General Manager Strategy
  - Strategic & Corporate Planning
  - Regional Transport Planning
  - Sustainable Transport
  - Democratic Services
- **Monica Fraser** – Te Pou Whakarae / Te Hunga Whiriwhiri
- **Jeremy Holmes** – Regional Manager WREMO

greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

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Attachment 2 to Report 19.418

Greater Wellington Regional Council

He Whakarāpopoto i te Pūrongo ā-Tau

Summary of the Annual Report 2018/19

1 July 2018 – 30 June 2019

Every year we produce an Annual Report of our actual performance against our intended activities and level of performance as included in our Long Term Plan and Annual Plan.

To make this information more accessible, we also produce this Summary of the Annual Report, a shorter version that gives you a snapshot the work that we have delivered and how our finances were managed from 1 July 2018 to 30 June 2019.

If you would like to access the full Annual Report 2018/19 please visit www.gw.govt.nz/annual-report/

Anei tā mātou Whakarāpopoto i te Pūrongo ā-Tau 2018/19

Welcome to our summary of the Annual Report 2018/19

Kia ora koutou,

This summary report provides a snapshot of the detail contained in our full Annual Report 2018/19. The first year into our Long Term Plan 2018-28, this felt like the most challenging year in the history of the Council.

The launch of the region's new bus network, alongside a wide range of changes, did not go smoothly and our customers were directly and significantly impacted. There was much attention and feedback as we encountered scheduling, capacity and workforce-related issues. An ambitious and difficult plan was never going to proceed without issues, and difficult though the experience was, we still feel that we are on the right course for Wellington.

Outside of public transport, we made some great breakthroughs across many aspects of our work, some unthinkable a year ago. We've heard the rising chorus of concern from the community on climate change and we've redoubled our efforts to address the issues it poses. Our focus has been to work with regional partners to build shared understanding of the regional impact of climate change, an essential pre-cursor to far-reaching decisions that will have to be made in the future.

Our Regional Pest Management Plan 2019-39 puts us on track to minimise threats to native plants and animals, and foster healthy ecosystems throughout our region. Investment in our regional parks and forests has seen a steady increase in visitor numbers and with the help of dedicated volunteers, we planted an incredible 50,000 trees over the year.

This past year also saw the completion of the implementation programmes for Ruamāhanga Whaitua and Te Awarua-o-Porirua Whaitua, and the introduction of Whaitua te Whanganui-a-Tara, the third of our community-led collaborative processes to improve the health of our land and waterways. This committee works with stakeholder organisations, mana whenua and local communities to improve the health of the waterways in the Te Whanganui-a-Tara catchment, which extends from Upper Hutt in the north, Wellington City in the south, Wainuiomata in the east and Makara in the west.

We hope you enjoy this insight into our year. We couldn't achieve our vision of creating an extraordinary region that is connected, thriving and resilient without you, our partners, stakeholders and communities. Thank you for being on the journey with us.

Nāku noa, nā

Chris Laidlaw, Chair

Greg Campbell, Chief Executive

Mō mātou me ā mātou mahi /Who we are and what we do

As the regional council for the Wellington Region, we are responsible for a wildly diverse range of activities around our region. This sees us delivering public transport across the region to monitoring rivers and lakes in the Wairarapa to managing nine geographically unique regional parks and forests, and a number of other recreational areas.

Our region makes up 3 percent of New Zealand's total land area, covering a total of 8,049km^2. Almost 500km of coastline runs from the Tasman Sea to the Pacific Ocean and we have a coastal marine area of 7,867km^2. Of the 320km of rivers and waterways weaving across the region, we manage 280km of stopbanks along them. The region is also home to 521, 500 people[1] and has a GDP of $37.1billion, or 13% of the national GDP[2].

At Greater Wellington Regional Council, we have a vision for our region to become *an extraordinary region - thriving, connected and resilient*. Our core role is to protect the environment whilst enabling sustainable economic development. We provide leadership, infrastructure and services to help connect and grow our region. Along with our mana whenua partners, we protect our region's waterways and land.

Our Long Term Plan 2018-28 sets out the work we planned to deliver in our six groups of activities. This work contributes to the achievement of our five community outcomes:

Ko ngā Hua mō te Hapori | Community Outcomes

Strong Economy	Connected Community	Resilient Community	Healthy Environment	Engaged Community
A thriving and diverse economy supported by high quality infrastructure that retains and grows businesses and employment	People are able to move around the region efficiently and communications networks are effective and accessible	A regional community that plans for the future, adapts to climate change and is prepared for emergencies	An environment with clean air, fresh water, healthy soils and diverse ecosystems that supports community needs	People participate in shaping the region's future, take pride in the region, value the region's urban and rural landscapes, and enjoy the region's amenities

Ngā Mahi a Te Pane Matua Taiao | Activities of Greater Wellington

We aim to improve wellbeing of our region's people by achieving the five community outcomes through the work of six groups of activities:

- Flood protection and control works
- Metlink public transport
- Environment
- Regional parks and forests
- Regional leadership
- Water supply

1. *[Subnational population estimates at 30 June 2018 provisional](#)*, Statistics NZ, 2018
2. [Regional GDP 2018 – Wellington](#), Statistics NZ, 2018

He arotake i te tau kua huri / Our year in review

Protecting our environment and natural resources

One of our core roles as a regional council is to protect the environment, and we have taken great steps towards this in the 2018/19 year.

After 10 years of development, we released the latest stage of our ambitious Proposed Natural Resources Plan, which provides a blueprint for the positive management of our natural resources.

We introduced our Regional Pest Management Plan 2019-39 which will keep biodiversity thriving and help us remove unwanted pest plants and animals from our region. We also established the Wellington Regional Biodiversity Framework Project, which connects efforts to protect and enhance biodiversity and to design a shared way forward. The project is a partnership between Greater Wellington, mana whenua partners, Department of Conservation and the wider community.

Our community-led whaitua (catchment) work continued this year, with the introduction of Whaitua te Whanganui-a-Tara, the third of our committees that work with a range of stakeholder organisations, mana whenua and communities to identify what is needed to support better stewardship of water. This year we also completed two whaitua committees in the catchments of Ruamāhanga and Te Awarua-o-Porirua Whaitua (Porirua Harbour).

The Wellington Region Erosion Control Initiative received an additional $500,000 of extra funding from the Ministry for Primary Industries relating to the new One Billion Trees programme to support this initiative. This funding boost enabled an additional 195 hectares of erosion prone land to be treated in 2018/19.

Taking steps towards a world-class integrated public transport network

This year, the troubled overhaul of the Wellington city bus network, led to some strong customer dissatisfaction and subsequent negative media coverage. Issues around poor punctuality and reliability, exacerbated by a shortage of bus drivers, meant many of our performance targets for public transport were not met. Resourcing issues continue to be addressed through initiatives such as an ongoing bus driver career recruitment campaign and working with communities to address any remaining network design challenges.

There were some positive aspects of the network change; including increased all day and weekend services, a better geographical spread of services and cheaper fares for many customers. Overall, annual passenger boardings on buses were 24.7 million passengers to June 2019, growth of over 4 per cent year on year across the region. In Wellington city growth was 5.2 per cent year on year.

These issues overshadowed the positive aspects of the network change; including increased all day and weekend services, a better geographical spread of services and cheaper fares for many customers. Annual passenger boardings on buses were 24.7 million passengers in June 2019, growth of over 4 per cent year on year across the region. In Wellington city growth was 5.2 per cent year on year.

With the rail network we developed a business case for new trains on the Wairarapa and Manawatu lines and started a multi-year programme to renew KiwiRail's ageing rail network. This has been our busiest year yet for our regional rail network with an all-time patronage high of 14.3 million passenger journeys, which is 771,000 more than the previous year.

Ensuring our communities and infrastructure are resilient

Greater Wellington has continued to play our part in building our region's resilience to the changing climate, curbing our carbon emissions and reducing our carbon footprint. We worked closely with all councils in the region on a number of climate change initiatives, including the Wellington Region Natural Hazards Management Strategy. Greater Wellington also took steps towards reducing carbon emissions for the organisation and the region.

Overall, relationships with mana whenua are generally progressing well. Council has been working closely with Ara Tahi to consider its purpose moving forward into the next triennium, and a new draft model has been created for consideration by the incoming council. Council regretfully accepted the withdrawal of Ātiawa ki Whakarongotai from Ara Tahi. The iwi will continue to engage with Greater Wellington in programmes specific to the rohe of Ātiawa ki Whakarongotai.

This year saw the development and finalisation of the Wellington Regional Investment Plan, a long-range blueprint that details the investment required over the next 30 years to ensure future success and improve the quality of life for the Wellington region. This was developed in partnership with the eight territorial authorities across the region. We also started work on a regional Māori Economic Development Strategy and action plan, focused on improving Māori wellbeing.

A major milestone was the government's announcement of a funding package for the Let's Get Wellington Moving programme which received unanimous support from both Wellington City Council and Greater Wellington. This programme will help move more people using fewer vehicles, while supporting the city and region's growth, and make it safer and easier to get around.

Progress was made to help prepare the region for an emergency. The Earthquake Planning Guide was translated into 16 languages to ensure our communities are all equally prepared to respond during an earthquake.

The Hutt River revitalisation project RiverLink, a joint initiative between Greater Wellington, NZ Transport Agency and Hutt City Council, represents a major multi-year project for us with significant investment required over the next 10 years. Despite some challenges and minor delays over the year, the project has progressed well, including project management establishment, appointment of design consultants, and property acquisitions.

Providing high-quality drinking water

Wellington Water had a busy year ensuring the community remains confident in the quality of the water we provide. All performance targets were met, with one exception - the provision of a continuous and secure bulk water supply. A capacity constraint was identified at the Te Marua water treatment plant. This reduced the capacity of the plant to deliver water, affecting the drought resilience of the bulk network and resulting in the 1 in 50-year target not being met. Plans are being developed to address this.

The renewal programme progressed well and will continue into the next year. Our reservoir seismic strengthening work also continued with completion of the detailed design of the Wainuiomata reservoir and we expect construction to start during the summer months.

We continued to explore options for an alternative water source for Wellington City by completing the harbour bores investigation. This turned out not to be a viable option, so the cross-harbour pipeline remains the preferred option and is being further developed.

He whakarāpopoto tutukinga / Performance Summary

Greater Wellington measures its performance against 65 targets within six areas of focus. In the 2018/29 year, we achieved 46 of our targets (71%).

Te Taiao Environment **13/17 targets met**	**Te Tiaki me te Arahi Waipuke** Flood Protection **4/5 targets met**	**Ngā Waka Tūmatanui** Metlink Public Transport **2/14 targets met**
Regulating and monitoring the use of our region's natural resources	Managing flood risk from our region's rivers and streams	Managing the Metlink public transport network and delivers public transport services to the regional population
Some of our performance results • In the past year, the community in Miramar have trapped 2,949 rats, 10 stoats, 174 hedgehogs and 2,937 mice • Wellington Region Erosion Control initiative planted more than 210,000 trees, including 21,500 willow and poplar trees, 180,500 exotic forestry and 8,500 natives on 718 hectares of erosion-prone land	Some of our performance results • Major flood protection and control works were maintained, repaired and renewed to key standards • Structural improvements were implemented from Floodplain Management Plans • 320,000 cubic metres of gravel was extracted from our region's river systems • 12,400 native plants and 13,400 willow poles were planted to strengthen river buffers	Some of our performance results • For bus and rail services, we did not meet a number of targets for satisfaction, reliability or punctuality • Three out of four targets related to bus services leaving and arriving on time (within 5 minutes) fell below the 90% target • For rail, we missed our target of 90% for scheduled services on time • Growth in patronage across the Metlink public transport and rail networks
Ngā Papa Whenua Regional Parks and Forests **6/6 targets met**	**Ngā Puna Wai** Water Supply **18/19 targets met**	**Ngā Kaihautū o te Rohe** Regional Leadership **3/4 targets met**
Management of nine unique parks and two water collection areas across the region	Providing safe drinking water and future-proofing bulk water supply to Wellington, Lower Hutt, Upper Hutt and Porirua cities	Working with partners to facilitate and achieve shared decision-making across the region
Some of our performance results • 74% of the region's population visited a regional park in the last 12 months • 1.84 million visits to a regional park • 95% of visitors were satisfied with their park experience • 52,000 trees planted	Some of our performance results • Provided safe drinking water to the four cities (Wellington, Lower Hutt, Upper Hutt and Porirua) • No waterborne disease outbreaks • No complaints related to bulk water supply, water clarity, odour or flow • No events preventing the continuous supply of drinking water to consumers	Some of our performance results • Increased number of adults participating in sustainable transport initiatives • Increase in the number of households with sufficient emergency food and water to last at least seven days

He whakarāpopoto tutukinga ā-pūtea /Summary of financial performance

In 2018/19 we continued to focus on enhancing our financial management and sound financial position, performing strongly in managing operating costs.

Our overall operating deficit, excluding capital grants, was held to $2.5 million more than budgeted. This represents just 0.6% of our total overall operating costs. While there were a number of operational issues within public transport, the operating result was only slightly below the budget.

In other activities there have been a number of contributing factors, many of which have had an offsetting effect. The two with the largest impacts relate to:

- Costs associated with the RiverLink project, which were incurred through the purchase of land and the planned demolition and removal of unused buildings to make way for the Hutt River project.

- Investments in our core Information, Communication and Technology systems including a review of the core financial and asset management systems.

The reported year-end deficit before other items and tax of $3 million (including capital grants) was $15.5 million unfavourable to budget. The primary driver of this was lower transport improvement grants and subsidies of $13 million reflecting lower than budgeted capital expenditure in the year due to the focus on and allocation of resources to operational issues.

An ambitious programme of activity for many projects that were dependent on third parties also made for challenging completion deadlines.

Overall investments across the business totalled $82 million, including funding toward Metlink's rail network.

Finances at a glance

$388.6 million
revenue from rates, grants & other sources

$391.6 million
costs of running Greater Wellington

$28.7 million
net deficit after tax for 2018/19

$5.24
costs of delivering all Council services per rating unit per day

$1.7 billion
of total assets managed by Greater Wellington

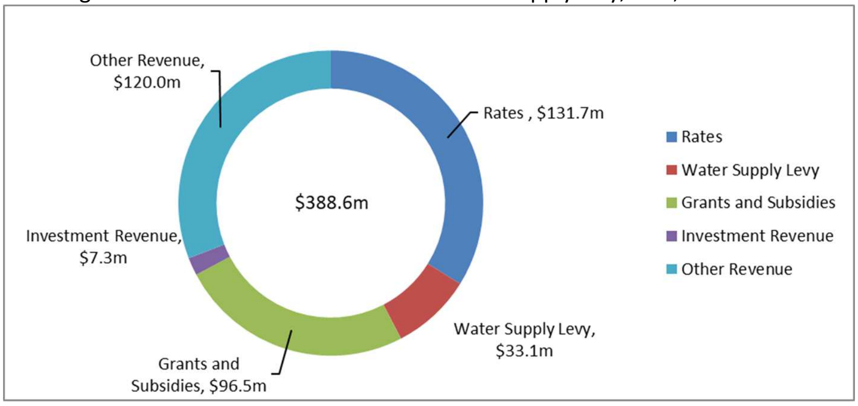
$467.5 million
borrowing position at the end of 2018/19

$ 81.9 million
capital spend for 2018/19

AA credit rating
with Standard & Poor indicating good financial health

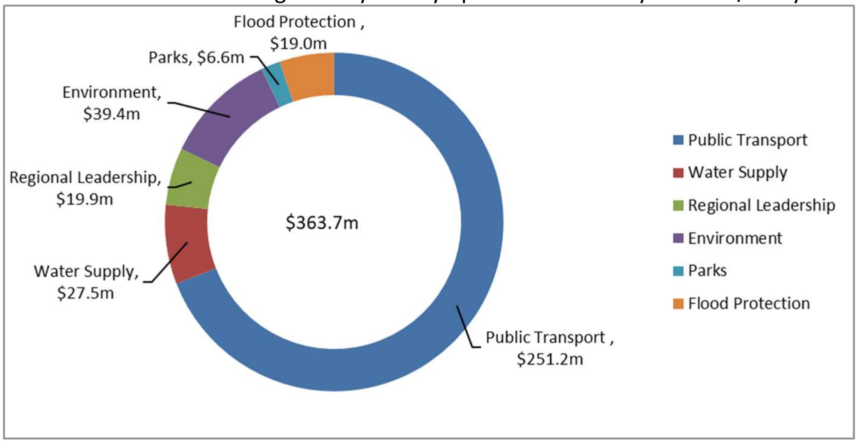
Revenue $388.6m

The revenue for the needed to do our work in 2018/19 was sourced primarily though rates and grants from central government. Other sources include water supply levy, fees, chares and investment income.



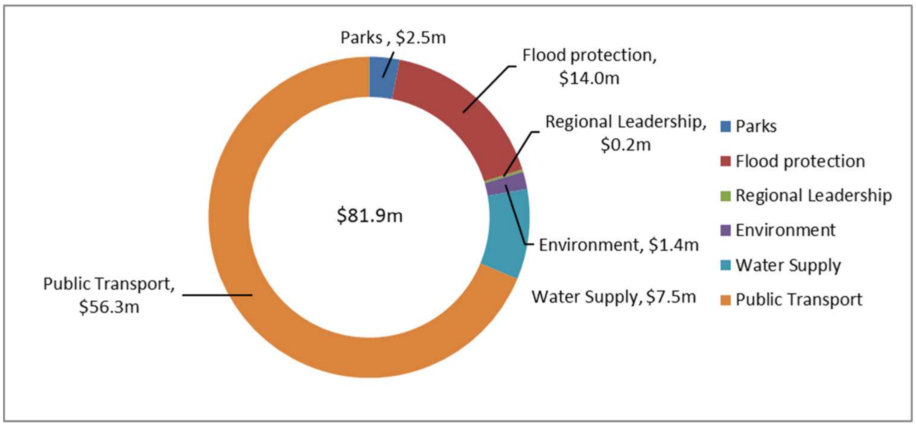
Operating spend $363.7m

This was the cost of running our day-to-day operations for the year 2018/19 by the six groups of activities.



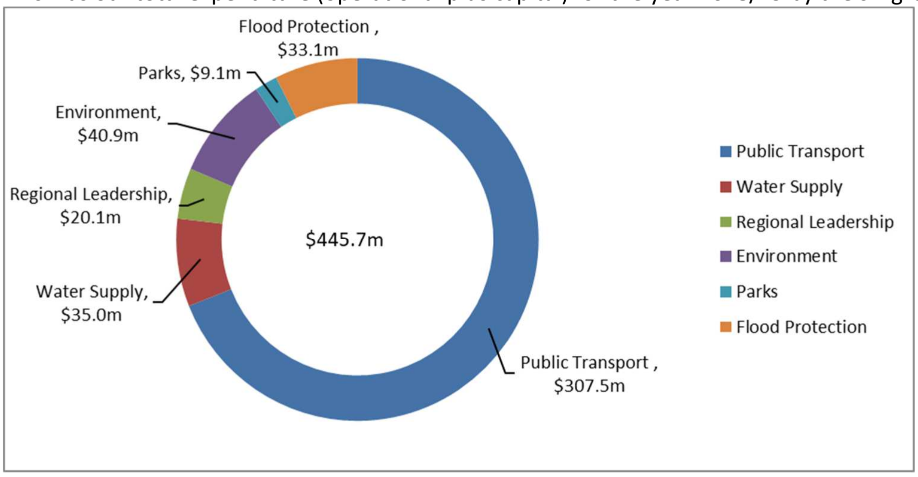
Capital expenditure $81.9m

This was the amount we invested in building new infrastructure or renewing or upgrading existing assets for the 2018/19. These are things that will continue to have benefits beyond the year. The funding for capital expenditure came from subsidies and grants, debt and gross proceeds from asset sales.



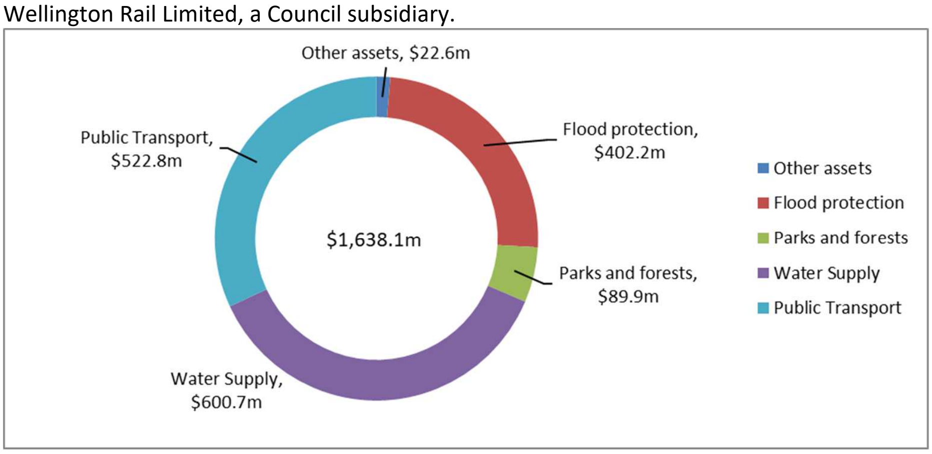
The total cost $445.7m

This was our total expenditure (operational plus capital) for the year 2018/19 by the six groups of activities.



Assets $1,638.1m

Our assets base comprises of infrastructure in public transport, flood protection, water supply and parks. Public transport includes $457.2m of rail rolling stock and railway station infrastructure owned by Greater Wellington Rail Limited, a Council subsidiary.



He tauākī pūtea /Financial Statements

Summary statement of comprehensive revenue and expense for the year ended 30 June 2019	Greater Wellington			Greater Wellington Group	
	2019 Actual $000s	2019 Budget $000s	2018 Actual $000s	2019 Actual $000s	2018 Actual $000s
Operational revenue	374,303	369,635	297,507	457,137	374,074
Finance costs	(23,341)	(22,581)	(19,843)	(23,391)	(32,170)
Operational Expenditure	(363,549)	(359,025)	(291,739)	(466,218)	(382,360)
Operational surplus / (deficit) for the year before transport improvements	**(12,587)**	**(11,971)**	**(14,075)**	**(32,472)**	**(40,456)**
Transport Improvement Grants and subsidies	11,423	24,439	16,406	11,423	16,406
Transport improvement expenditure	(1,826)	-	(1,262)	(1,826)	(1,262)
Net revenue / (expenditure) for transport improvements	**9,597**	**24,439**	**15,144**	**9,597**	**15,144**
Surplus / (deficit) for the year before tax and fair value gains / (losses)	**(2,990)**	**12,468**	**1,069**	**(22,875)**	**(25,312)**
Share of Equity accounted investments surplus / (deficit)	-	-	-	10,311	23,081
Fair value gains / (losses) in profit and loss	(25,725)	8,907	(8,684)	(24,704)	(881)
Earthquake related items	-	-	-	60,717	19,359
Tax on continuing operations	-	-	-	1,818	1,254
Surplus / (deficit) after tax	**(28,715)**	**21,375**	**(7,615)**	**25,267**	**17,501**
Other comprehensive revenue and expense					
Increases / (decreases) in revaluations	12,182	1,140	195,041	55,570	195,041
Fair value movements in other comprehensive revenue and expense	-	-	-		
Total comprehensive revenue and expense for the year	**(16,533)**	**22,515**	**187,426**	**80,837**	**212,542**
Attributed to:					
Non controlling interest	(16,533)	22,515	187,426	63,989	203,742
Equity holders of the parent	-			16,848	8,800
Total comprehensive revenue and expense for the year	**(16,533)**	**22,515**	**187,426**	**80,837**	**212,542**

Summary statement of changes in equity for the year ended 30 June 2019	Greater Wellington			Greater Wellington Group	
	2019 Actual $000s	2019 Budget $000s	2018 Actual $000s	2019 Actual $000s	2018 Actual $000s
Equity - opening balance as at 1 July	1,107,412	1,144,562	919,986	1,387,241	1,175,160
Total comprehensive revenue and expense for the year	(16,533)	22,515	187,426	80,837	212,542
Dividend to non controlling interest	-	-	-	(932)	(462)
Closing equity at 30 June	**1,090,877**	**1,167,077**	**1,107,412**	**1,467,146**	**1,387,241**
Equity attributed to:					
Equity holders of the parent	1,090,877	1,167,077	1,107,412	1,397,112	1,333,130

Non controlling interests	-	-	-	70,034	54,111
Closing equity at 30 June	**1,090,877**	**1,167,077**	**1,107,412**	**1,467,146**	**1,387,241**

Summary statement of financial position as at 30 June 2019	**Greater Wellington**			**Greater Wellington Group**	
	2019 Actual $000s	**2019 Budget $000s**	**2018 Actual $000s**	**2019 Actual $000s**	**2018 Actual $000s**
Current assets	137,749	83,218	119,341	292,363	191,537
Non-current assets	1,568,118	1,600,218	1,454,132	1,933,816	1,848,456
Total assets	**1,705,867**	**1,683,436**	**1,573,473**	**2,226,179**	**2,039,993**
Current liabilities	116,455	169,442	144,820	134,869	177,220
Non-current liabilities	498,535	346,917	321,241	624,164	475,532
Total liabilities	**614,990**	**516,359**	**466,061**	**759,033**	**652,752**
Net Assets	**1,090,877**	**1,167,077**	**1,107,412**	**1,467,146**	**1,387,241**
Equity attributed to:					
Equity holders of the parent	1,090,877	1,167,077	1,107,412	1,397,112	1,333,130
Non controlling interests	-	-	-	70,034	54,111
Total equity	**1,090,877**	**1,167,077**	**1,107,412**	**1,467,146**	**1,387,241**

Summary statement of cashflows for the year ended 30 June 2019	**Greater Wellington**			**Greater Wellington Group**	
	2019 Actual $000s	**2019 Budget $000s**	**2018 Actual $000s**	**2019 Actual $000s**	**2018 Actual $000s**
Cashflows from operating activities	30,109	38,955	18,102	43,959	24,864
Cashflows from investing activities	(106,451)	(127,155)	(65,296)	36,153	(55,540)
Cashflows from financing activities	87,891	91,951	52,156	24,888	33,694
Net increase / (decrease) in cash, cash equivalents	**11,549**	**3,751**	**4,962**	**105,000**	**3,018**
Opening cash equivalents	5,308	15,164	346	3,585	567
Closing cash equivalents	**16,857**	**18,915**	**5,308**	**108,585**	**3,585**

The full financial statements presented in the Annual Report 2018/19 have been audited and have an unqualified audit opinion.

Greater Wellington's full financial statements have been prepared in accordance with PBE Standards.

Specific disclosures included in the summary financial statements have been extracted from the full financial statements. These financial statements contain no information that has been restated or reclassified.

The summary financial statements do not include all the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as provided by the full financial statements.

The full financial statements can be obtained from the Greater Wellington website.

The full financial statements are denominated in NZ$.

The summary financial statements comply with PBE FRS 43 – Summary financial statements.

Explanations to financial variances from budgets

1. Operational revenue
   Operational revenue is higher than budget due to increase in grants and subsidies revenue partially offset by lower rates revenue.

2. Operational expenditure
   Operational expenditure is higher than budget due to increased contractors and consultant costs associated with public transport, information technology and a review of key financial and asset management systems.

3. Transport improvements grants and subsidies
   Transport improvements grants and subsidies were lower than budget due to lower claimable capital expenditure costs for key transport programs and projects.

4. Fair value
   Fair value movement is unfavourable to budget reflecting the decrease of the fair value of the interest rate swaps held by the Council due to the continuing decrease in market interest rates.

5. Total assets
   The total assets are in line with the budget. The key driver of the higher level of current assets relates to replacing external funding to WRC Holdings Ltd. with funding through the Council of $44m.

6. Total liabilities
   The key drivers of the higher level of liabilities compared to budget relate to the derivatives and non-interest bearing liabilities not being included in the budget position.

7. Equity
   The key driver of the lower than budget equity is the unfavourable variance to budget with regards to the fair value adjustments referred to above.

8. Cash flow
   The overall cash position (including cash equivalents) is only slightly down on budget as a result of a lower cash position at the beginning of the financial year being offset by lower cash outflows in relation to capital expenditure.

Earthquake related costs

A 7.8 magnitude earthquake struck on 14 November 2016 in Kaikōura which has had a significant impact on CentrePort. The earthquake significantly damaged Port infrastructure and Port properties including the land on which the Port operates. The major Port operations impacted were the container services and the investment property portfolio. Other Port services including logs, ferries, fuel, cruise and break bulk activities had substantially recovered immediately following the earthquake.

The impact of the earthquake has been reflected in these financial statements with the information available to the date these financial statements are signed. The insurance claim process is well advanced and engineering damage assessments have been completed. However there is considerable uncertainty in relation to the final quantification for the settlement of the insurance claim. The Group is working closely with independent advisors and the insurers' assessors to progress the claim.

The Group has separate insurance policies for CentrePort and CentrePort Properties Limited.

At the time of the earthquake CentrePort had a total insured value (in relation to port infrastructure) of $600.0m for both Material Damage and Business Interruption combined. The Business Interruption covers a 36 month indemnity period. Insurance progress payments of $90.0m were received by CentrePort in the year ended 30 June 2019 (2018: $60.0m) bringing total progress payments received to 30 June 2019 to $250.0m. These payments are applied to business interruption (loss of rents and temporary works) in the first instance and secondly to material damage.

During the year ended 30 June 2019, CentrePort Properties Limited, including its associate property entities (SPVs), reached a full and final settlement on its insurance claim of $170.4m. Of this, $158.2m related to the SPVs and $12.2m related to CentrePort Properties Limited. All insurance proceeds have been received by CentrePort Properties Limited and allocated to the SPVs as set out in the settlement agreement.

Insurance and property related impacts for CentrePort and CentrePort Properties Limited are set out below. As the SPVs were equity accounted until 31 May 2019, the impact of the earthquake in relation to the SPVs is accounted for separately as described in note 15 of the full financial statements.

The Group received $210.4m of payments in 2019 for claims on these policies of which $90m related to CentrePort progress payments and $120.4m related to the final settlement for the CentrePort Properties Limited claim.

Events occurring after the balance date

No dividend was declared post balance date by WRC Holdings (2018: Nil).

Subsequent to balance date the Reserve Bank reduced the Official Cash rate (OCR) on 7 August to1.0% and market interest rates have reduced. This will reduce interest costs on floating rate borrowings and increase the liability values for the existing floating to fixed interest rate swaps.

Financial Statements will be authorised for issue by Council on 10 October 2019.

There were no other subsequent events up to balance date of these financial statements which would affect the amounts or disclosures in the financial statements.

Pūrongo Arotake Pūtea | Audit Report

Attachment 3: Reserve balance as at 30 June 2019 as compared to the Long Term Plan

Council created reserves	Purpose of the fund	Long Term Plan balance at 30 June 2019 $000s	Actual reserve balance at 30 June 2019 $000s
Area of benefit reserves			
Public transport reserve	Any funding surplus or deficit relating to the provision of public transport services is used only on subsequent public transport expenditure	11,158	12,775
Transport planning reserve	Any funding surplus or deficit relating to the provision of public transport planning services is used only on subsequent public transport planning expenditure	770	991
WREMO reserve	Contributions by other local authorities to run the WREMO	51	24
WRS reserve	Any funding surplus or deficit relating to the Wellington Regional Strategy implementation is used only on subsequent Wellington Regional Strategy expenditure.	826	978
Catchment scheme reserves	Any funding surplus or deficit relating to the provision of flood protection and catchment management schemes is used only on subsequent flood protection and catchment management expenditure	5,378	8,088
Contingency reserves			
Environmental legal reserve	To manage the variation in legal costs associated with resource consents and enforcement	113	239
Flood contingency reserves	To help manage the costs for the repair of storm damage throughout the region.	6,079	2,818
Rural fire reserve	To help manage the costs of rural fire equipment.	76	76
Special reserves			
Election reserve	To manage the variation in costs associated with the election cycle	411	316
Corporate systems reserve	To manage the variation in costs associated with key IT infrastructure and software.	652	1,524
Other reserve balances	Re-budgets and other reserve funds	3,508	7,098
Total reserves (GST exclusive)		**29,022**	**34,927**

greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

Report	**19.457**
Date	27 September 2019
File	CCAB-8-2507
Committee	**Council**
Author	**Seán Mahoney, Company Portfolio Manager**

Local Government Funding Agency Annual General Meeting and Annual Report 2019

1. Purpose

For Council to:

- receive the LGFA Annual Report
- appoint a proxy to represent Council (as a shareholder) at the Local Government Funding Agency (LGFA) Annual General Meeting (AGM)
- decide how the proxy should vote on the matters for consideration at the AGM.

2. Background

The LGFA is a Council Controlled Organisation which specialises in local government financing. GWRC has a 7.46% shareholding in the LGFA.

The AGM is scheduled to take place on 21 November 2019. As a shareholder GWRC is entitled to attend and vote at the LGFA's AGM. In previous years Council has appointed a proxy to attend the AGM and exercise the vote of the Council.

The Annual Report for 2018/2019 is attached to this report (**Attachment 1**) for the Council's information .

3. Matters for consideration at the AGM

There are five items for consideration at the AGM:

- Financial Statements and Annual Report
- Election of Directors
- Election of Nominating Local Authorities

- Directors Remuneration
- Changes to Foundation Policies and Shareholders' Agreement

These matters are contained in the Agenda (**Attachment 2**).

LGFA has a 'Shareholders' Council', a group of shareholder representatives, who work closely to monitor the performance and accountability of LGFA. They also have a responsibility to provide advice and recommendations on issues which require shareholder approval.

A letter from the Chair of the Shareholders' Council with recommendations as to the matters for consideration at the AGM, is attached (**Attachment 3**).

3.1 Adoption of Annual Report

The annual report reflects a further year of growth for the LGFA. The group of borrower councils has now increased to 64 and in the last financial year LGFA provided 92.3% of the sectors borrowing requirements. The Shareholders' Council recommends adopting the annual report.

3.2 Election of Directors

Two Directors, Linda Robertson (Independent Director) and Mike Timmer (Non-Independent Director – Local Government Representative) are standing for re-election unopposed. The Shareholders' Council recommends both of these Directors be re-elected.

3.3 Election of Nominating Local Authorities

The nine nominating authorities make up the Shareholders' Council. Two of these retire each year and are eligible for re-election. Auckland Council and Western Bay of Plenty District Council are both retiring this year and offering themselves for re-election. There are no other councils wishing to stand and the Shareholders' Council recommends approval of these resolutions.

3.4 Directors Remuneration

An independent external review commissioned by the Shareholders' Council forms the basis of the Directors' remuneration recommendation. The recommended increase represents a 3.6% increase for the standard Directors. The Shareholders' Council supports this recommendation.

Note that the Director remuneration relating to Mike Timmer's appointment to that role is paid directly to GWRC.

3.5 Changes to Foundation Policies and Shareholders Agreement

The 2018 LGFA AGM approved the process to allow LGFA to lend directly to CCOs. Currently many councils borrow directly from LGFA but CCOs cannot borrow directly. This has caused contention where there may be multiply owned CCOs and in particular with the proposed reforms to the water sector.

The Shareholders' Council has had its own legal advice on the proposed changes and supports the change to the shareholders agreement.

The foundation policies need revising to reflect that the Treasury policy limits now need amending to increase the portfolio of liquid assets due to the growth of the LGFA since 2011.

The Shareholders' Council supports this recommendation.

4. Consideration of climate change

The matters requiring decision in this report are of a procedural nature and no climate change assessment has been undertaken.

5. The decision-making process and significance

The matters requiring decision in this report have been considered by officers against the requirements of Part 6 of the Local Government Act 2002 (the Act). Part 6 sets out the obligations of local authorities in relation to the making of decisions.

5.1 Significance of the decision

Part 6 requires Greater Wellington Regional Council to consider the significance of the decision. The term 'significance' has a statutory definition set out in the Act.

Officers have considered the significance of the matter, taking the Council's significance and engagement policy and decision-making guidelines into account. Officers recommend that the matter be considered to have low significance.

6. Recommendations

That the Council:

1. ***Receives** the report.*
2. ***Notes** the content of the report.*
3. ***Receives** the LGFA Annual Report 2018/2019.*
4. ***Appoints** Samantha Gain, or failing her, Alan Bird, as proxy to represent this Council as a shareholder of the LGFA, at the LGFA AGM.*
5. ***Delegates** to the Chief Executive the power to:*
    a. *Appoint an alternative proxy to represent this Council as a shareholder of the LGFA, at the LGFA AGM, in the event that either proxy is unable to attend the AGM*
    b. *Complete and sign the proxy form on behalf of the Council.*
6. ***Instructs** the proxy, to exercise the Council's votes by voting :*
    a. *To re-elect Linda Robertson as an Independent Director*
    b. *To re-elect Mike Timmer as a non-Independent Director*

c. *To re-elect Auckland Council as a Nominating Local Authority*

d. *To re-elect Western Bay of Plenty District Council as a Nominating Local Authority*

e. *To approve the proposed increases in Directors Fees*

f. *To approve the proposed changes to the foundation policies of the LGFA*

g. *To approve the proposed changes to the Shareholders Agreement*

Report prepared by:

Seán Mahoney
Company Portfolio Manager

Report approved by:

Samantha Gain
General Manager Corporate Services

Attachment 1: LGFA Annual Report 2018/2019
Attachment 2 : Agenda LGFA AGM 21 November 2019
Attachment 3 : Shareholders' Council Recommendation Letter dated 27 September 2019

Attachent 1 to Report 19.457

Meeting the financing needs of New Zealand councils

Mā te huruhuru ka rere te manu

Annual report

30 June 2019

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY
TE PŪTEA KĀWANATANGA Ā-ROHE

Mā te huruhuru ka rere te manu is a traditional saying literally meaning 'birds need feathers to fly'.

Its wider meaning is that 'investment is needed for success'.

Contents
Ihirangi

About us
Ko ngāi mātou

Establishment

The New Zealand Local Government Funding Agency Ltd (LGFA) specialises in funding the New Zealand local government sector, the primary purpose being to provide more efficient funding costs and diversified funding sources for New Zealand local authorities. LGFA was established to raise debt on behalf of local authorities on terms that are more favourable to them than if they raised the debt directly.

Incorporated on 1 December 2011 under the Companies Act 1993.

Enabled by Local Government Borrowing Act 2011

Council-controlled organisation under the Local Government Act 2002.

Ownership

20 million of which remain **uncalled.**

20%
New Zealand Government

80%
30 councils

Share ownership is restricted to New Zealand Government or councils.

Guarantee structure

LGFA's securities obligations are guaranteed by the councils that are Guarantors.

LGFA is not guaranteed by the New Zealand Government.

All shareholder councils must be a Guarantor as well as any council with aggregate borrowings over $20 million.

Credit rating

as at 30 June 2019

Domestic Currency AA+ / Foreign Currency AA (Positive Outlook)
Standard & Poor's

Domestic Currency AA+ / Foreign Currency AA (Stable Outlook)
Fitch Ratings

These credit ratings are the same as the New Zealand Government ratings.

Face value of bonds on issue

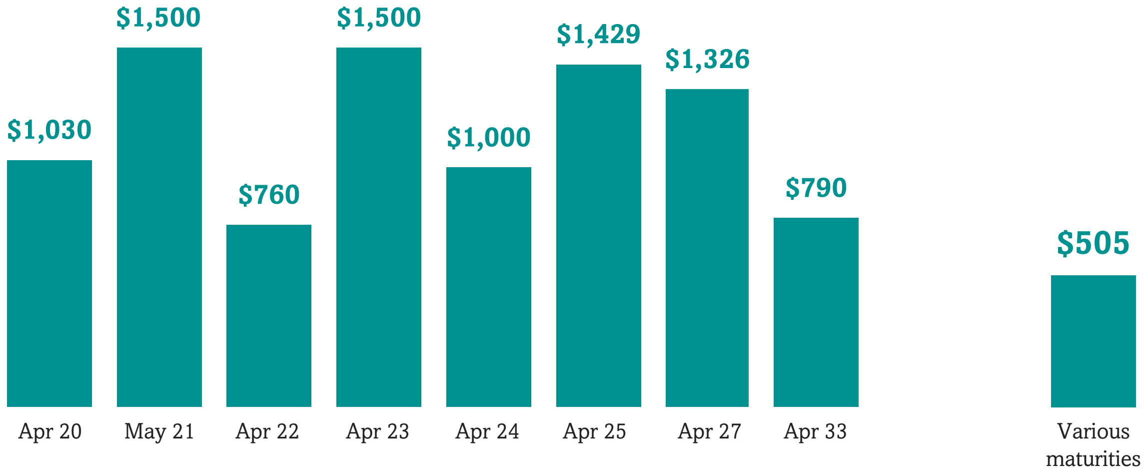
as at 30 June 2019 (NZ$ million)

$9,335 million

Bills on issue

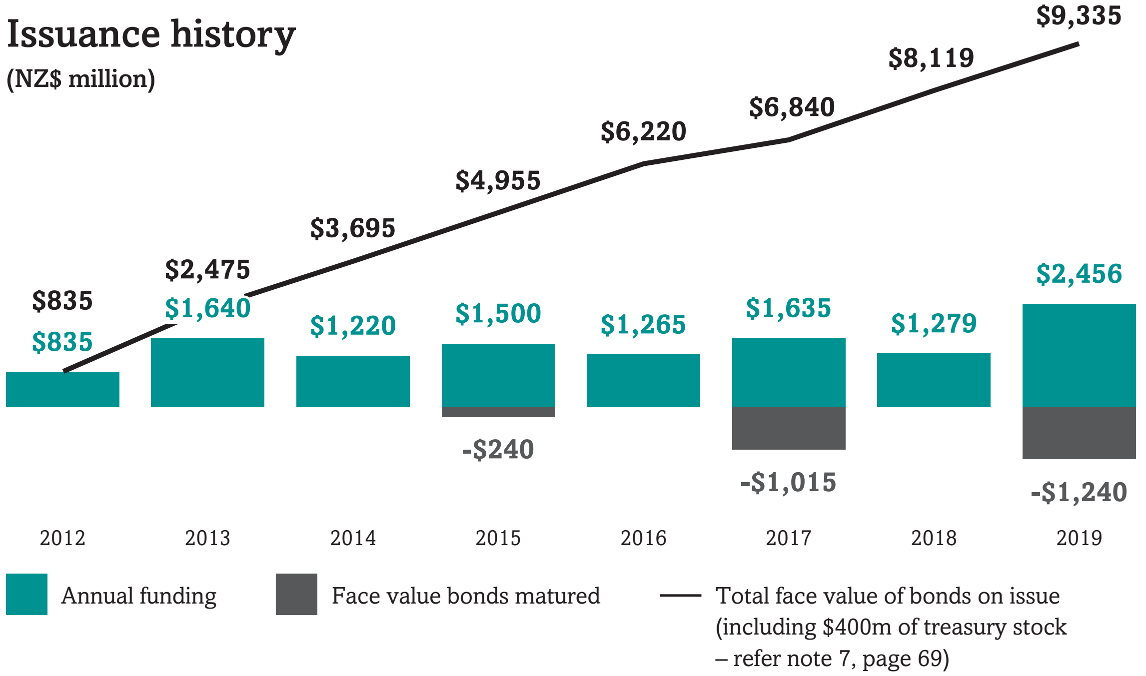
as at 30 June 2019 (NZ$ million)

$505 million



Issuance history

(NZ$ million)



Governance overview

20%
Shareholding
New Zealand Government

80%
Shareholding
30 councils

31 Shareholders

New Zealand Government shareholding will reduce to 11.1% if a future call is made on the uncalled capital of the 30 council shareholders.

Shareholders' Council
Page 27

The LGFA Shareholders' Council comprises five to ten appointees from the Council Shareholders and the New Zealand Government. The role of the Shareholders' Council is to:

Review and report performance of LGFA and the Board;

Recommend to Shareholders as to the **appointment, removal, replacement and remuneration of directors;**

Recommend to Shareholders as to any **changes to policies**, or the SOI, requiring their approval;

Update Shareholders on LGFA matters and to coordinate Shareholders on governance decisions.

LGFA Board
Page 17-26

The LGFA Board is responsible for the strategic direction and control of LGFA's activities. The Board guides and monitors the business and affairs of LGFA, in accordance with the:

- Local Government Act 2002;
- Local Government Borrowing Act 2011;
- Companies Act 1993;
- LGFA's Constitution;
- LGFA Shareholder Agreement;
- LGFA Annual Statement of Intent.

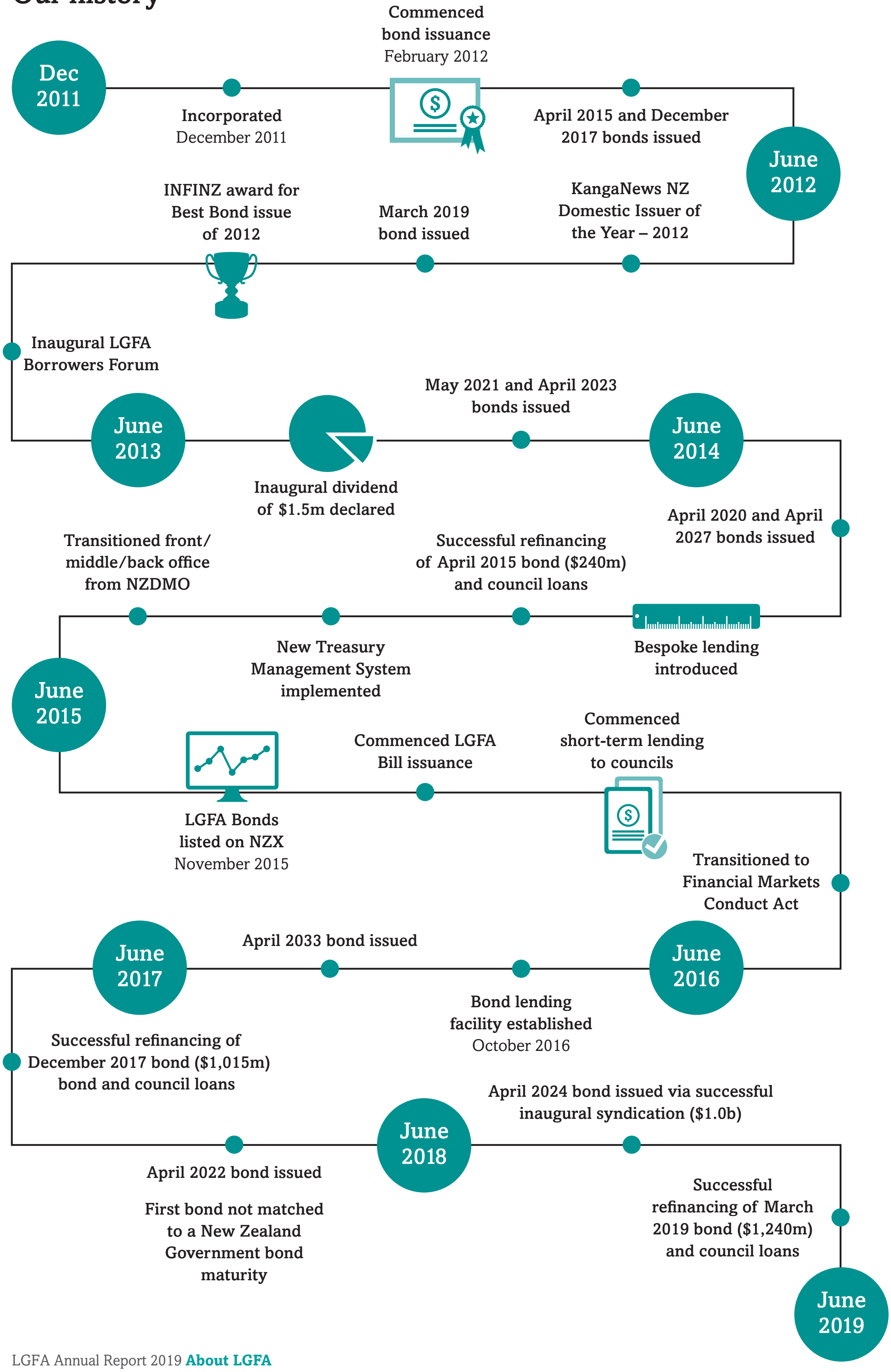
The Board comprises **five independent** and **one non-independent** directors appointed by shareholders.

Bonds listed on NZX Debt Market

Issue of securities to the public under the Financial Markets Conduct Act and regulated by Financial Markets Authority

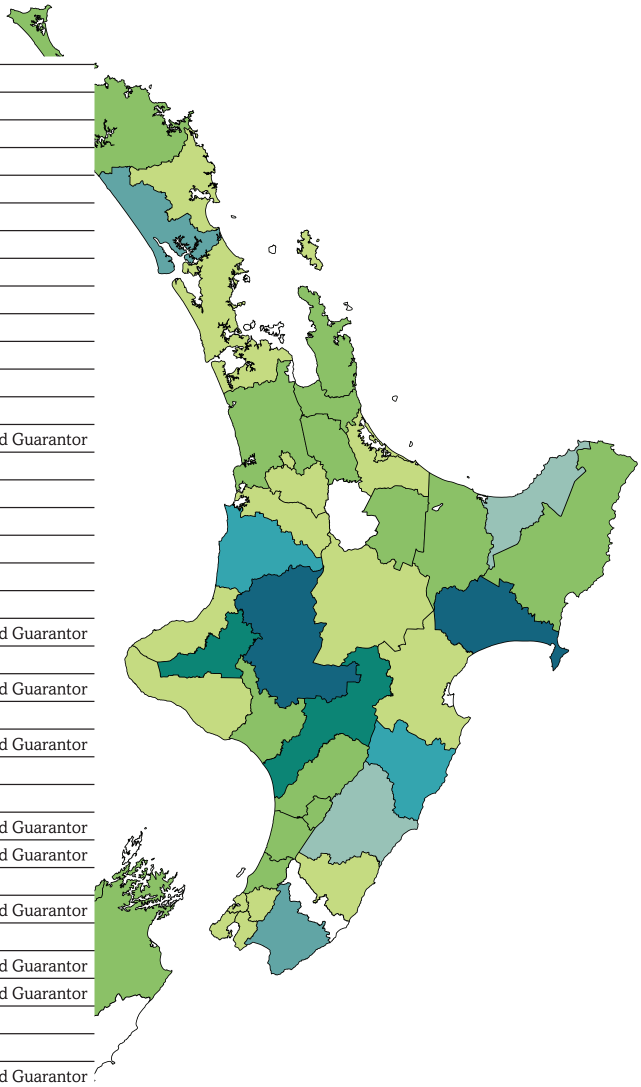
Supervised by independent trustee

Our history

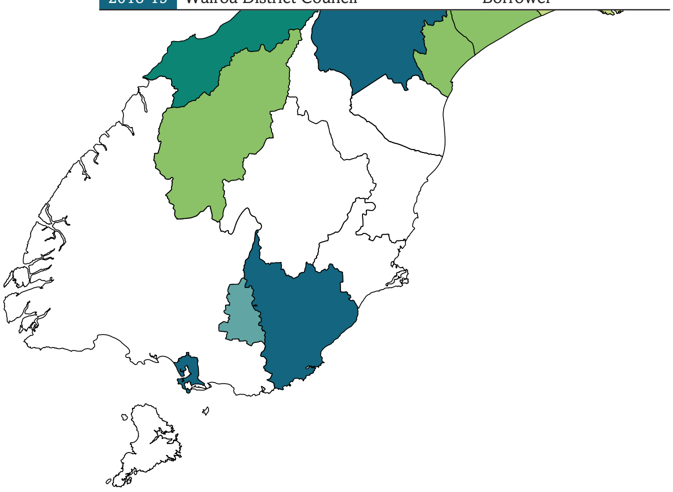

Dec 2011
Incorporated December 2011
Commenced bond issuance February 2012
April 2015 and December 2017 bonds issued
June 2012
KangaNews NZ Domestic Issuer of the Year – 2012
March 2019 bond issued
INFINZ award for Best Bond issue of 2012
Inaugural LGFA Borrowers Forum
June 2013
Inaugural dividend of $1.5m declared
May 2021 and April 2023 bonds issued
June 2014
April 2020 and April 2027 bonds issued
Bespoke lending introduced
Successful refinancing of April 2015 bond ($240m) and council loans
New Treasury Management System implemented
Transitioned front/ middle/back office from NZDMO
June 2015
LGFA Bonds listed on NZX November 2015
Commenced LGFA Bill issuance
Commenced short-term lending to councils
Transitioned to Financial Markets Conduct Act
June 2016
Bond lending facility established October 2016
April 2033 bond issued
June 2017
Successful refinancing of December 2017 bond ($1,015m) bond and council loans
April 2022 bond issued
First bond not matched to a New Zealand Government bond maturity
June 2018
April 2024 bond issued via successful inaugural syndication ($1.0b)
Successful refinancing of March 2019 bond ($1,240m) and council loans
June 2019

LGFA's 64 participating councils by year of joining

North Island



2011-12	Auckland Council	Shareholder
2011-12	Bay of Plenty Regional Council	Shareholder
2011-12	Greater Wellington Regional Council	Shareholder
2011-12	Hamilton City Council	Shareholder
2011-12	Hastings District Council	Shareholder
2011-12	Masterton District Council	Shareholder
2011-12	New Plymouth District Council	Shareholder
2011-12	South Taranaki District Council	Shareholder
2011-12	Taupo District Council	Shareholder
2011-12	Tauranga City Council	Shareholder
2011-12	Waipa District Council	Shareholder
2011-12	Wellington City Council	Shareholder
2011-12	Western Bay of Plenty District Council	Shareholder
2011-12	Whangarei District Council	Shareholder
2012-13	Far North District Council	Borrower and Guarantor
2012-13	Gisborne District Council	Shareholder
2012-13	Hauraki District Council	Shareholder
2012-13	Horowhenua District Council	Shareholder
2012-13	Hutt City Council	Shareholder
2012-13	Kapiti Coast District Council	Shareholder
2012-13	Manawatu District Council	Shareholder
2012-13	Matamata-Piako District Council	Borrower and Guarantor
2012-13	Palmerston North City Council	Shareholder
2012-13	Rotorua District Council	Borrower and Guarantor
2012-13	Thames-Coromandel District Council	Shareholder
2012-13	Waikato District Council	Borrower and Guarantor
2012-13	Whakatane District Council	Shareholder
2012-13	Whanganui District Council	Shareholder
2013-14	Horizons District Council	Borrower and Guarantor
2013-14	Upper Hutt City Council	Borrower and Guarantor
2014-15	Opotiki District Council	Borrower
2014-15	Porirua City Council	Borrower and Guarantor
2014-15	Tararua District Council	Borrower
2015-16	Kaipara District Council	Borrower and Guarantor
2015-16	South Wairarapa District Council	Borrower and Guarantor
2016-17	Central Hawkes Bay District Council	Borrower
2016-17	Northland Regional Council	Borrower
2016-17	Waitomo District Council	Borrower and Guarantor
2017-18	Rangitikei District Council	Borrower
2017-18	Stratford District Council	Borrower
2018-19	Hawkes Bay Regional Council	Borrower and Guarantor
2018-19	Ruapehu District Council	Borrower and Guarantor
2018-19	Waikato Regional Council	Borrower and Guarantor
2018-19	Wairoa District Council	Borrower



South Island

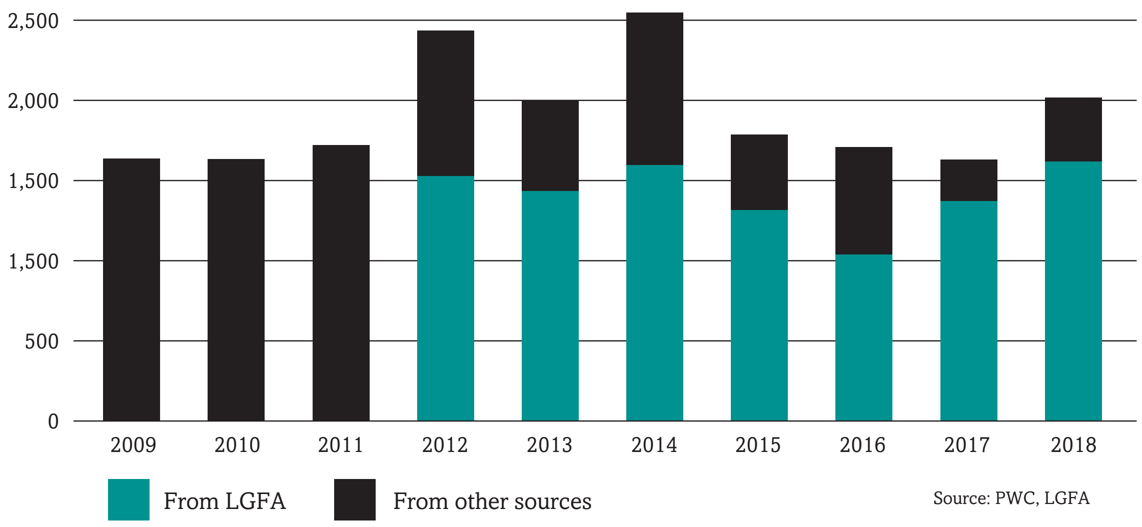
2011-12	Christchurch City Council	Shareholder
2011-12	Otorohanga District Council	Shareholder
2011-12	Selwyn District Council	Shareholder
2011-12	Tasman District Council	Shareholder
2012-13	Ashburton District Council	Borrower and Guarantor
2012-13	Grey District Council	Borrower
2012-13	Marlborough District Council	Shareholder
2012-13	Nelson City Council	Borrower and Guarantor
2012-13	Queenstown Lakes District Council	Borrower and Guarantor
2012-13	Timaru District Council	Borrower and Guarantor
2012-13	Waimakariri District Council	Shareholder
2013-14	Hurunui District Council	Borrower and Guarantor
2015-16	Buller District Council	Borrower
2015-16	Canterbury Regional Council	Borrower and Guarantor
2015-16	Gore District Council	Borrower
2017-18	Westland District Council	Borrower
2018-19	Clutha District Council	Borrower
2018-19	Invercargill City Council	Borrower and Guarantor
2018-19	Mackenzie District Council	Borrower
2018-19	West Coast Regional Council	Borrower

Participating councils

Borrower Type	Number of Councils	Amount Borrowed (NZ$ million)	Percentage of Total Borrowing
Guarantors	52	9,200	98.8%
Non Guarantors	12	111	1.2%
Total	**64**	**9,311**	**100.0%**

Councils' borrowing

All councils (NZ$ million) calendar year



Source: PWC, LGFA

New member Councils

LGFA welcomes the following eight councils who joined as eligible borrowers in the year ended 30 June 2019:

- Clutha District Council
- Hawkes Bay Regional Council
- Invercargill City Council
- Mackenzie District Council
- Ruapehu District Council
- Waikato Regional Council
- Wairoa District Council
- West Coast Regional Council

Message from the Chair

He karere mai i te Toihau

For the year ended 30 June 2019

"LGFA continues to meet council borrowing needs on a cost-effective basis while providing investors with a highly-rated, higher-yielding alternative to New Zealand Government Bonds"

"Kei te tutuki tonu a LGFA i ngā hiahia mino i runga i te āhua utu tōtika i a rātou e whakarato tonu ana ki ngā kaiwhakangao he āhuatanga kē nui ake te whakatauranga, nui ake hoki te whakahokinga pūtea ki tērā a ngā New Zealand Government Bonds"

Craig Stobo, Chair LGFA Board

Directors are pleased to record another period of strong financial and non-financial performance to 30 June 2019 and to highlight the following developments over the past year.

Strong financial and operational performance

LGFA total interest income for the financial year of $361.1 million was a 5.3% increase over the 2017-18 financial year result of $342.8 million while net operating profit of $11.2 million for the financial year was a 5.1% decrease on the 2017-18 financial year result of $11.8 million.

While operating profit was lower than the previous year's result, it did exceed the Statement of Intent (SOI) forecasts due to the larger than expected growth in council loans. Lower profitability was due to the lower level of interest rates reducing income on the Liquid Assets Portfolio, and the refinancing by councils of their previous higher margin loans as they matured with lower margin loans.

Expenses have been managed under budget over the past year owing to reduced utilisation of the standby facility and lower Approved Issuer Levy (AIL) payment due to fewer offshore investor holdings relative to budget. These savings were partially offset by higher legal and NZX costs associated with the record amount of council lending and associated bond issuance.

Investor relations

LGFA bonds continue to be an attractive investment for investors while LGFA has also delivered savings in borrowing costs and extended the tenor of lending available to our council borrowers.

The financial strength of LGFA was reaffirmed by credit rating agencies S&P Ratings and Fitch Ratings who both maintained LGFA's credit rating at 'AA+', which, very importantly, is the same as the New Zealand Government. In March 2019, S&P Ratings placed LGFA's local currency long-term issuer rating on positive outlook.

Borrowing activity

LGFA issued $2.456 billion of bonds over the financial year and outstandings now total $9.335 billion (including $400 million of treasury stock) across eight maturities from 2020 to 2033. The amount issued during the year was significantly more than the average historical issuance amount of $1.5 billion per financial year. The issuance highlight was the debut of an April 2024 bond by syndication which provided a new mid curve maturity for investors. The issuance of the new bond was undertaken via a syndicate of two banks and this was a change from the previous strategy of issuing via bond tenders. The issue size of $1 billion was a record amount issued in a single transaction by a New Zealand issuer other than the New Zealand Government. LGFA issued the new maturity to help reduce the mismatch between LGFA bond issuance and on-lending to councils, and issued via syndication because of the opportunity to cost effectively issue a large amount of bonds.

LGFA is the largest issuer of New Zealand dollar (NZD) securities after the New Zealand Government and its bonds are amongst the largest and most liquid New Zealand-dollar debt instruments available for investors. It is pleasing to note increased activity in the secondary market in LGFA bonds.

The performance of LGFA bonds over the past year was pleasing with LGFA bond spreads to New Zealand Government Bonds (NZGB) tighter on all LGFA bond maturities. While LGFA bond spreads to swap were tighter from 2023 maturities and longer, spreads were wider on the shorter-dated LGFA bonds. Outright yields declined between 63 bps (0.63%) on the 2020 maturity and 140 bps (1.40%) on the 2033 maturity over the year.

LGFA continues to issue short-dated LGFA Bills ranging in maturities from three months to twelve months through a combination of monthly tenders and private placements. Outstandings under the programme have reached $505 million. These instruments provide a source of funding for short-dated lending to council borrowers and assist LGFA with liquidity management.

Lending to the sector

LGFA was established in December 2011 to provide long-dated borrowing, certainty of access to markets and to reduce the borrowing costs for the local government sector. The original 31 shareholders including the Crown remain as shareholders. Over the past year, eight new members were added with Clutha District, Hawkes Bay Regional, Invercargill City, Mackenzie District, Ruapehu District, Waikato Regional, Wairoa District and West Coast Regional Councils all joining. Total membership is now 64 councils, and this is expected to rise by a smaller amount in the coming year.

Long-dated lending to councils over the 2018-19 year was a record $2.446 billion as councils refinanced their March 2019 loans, increased their borrowing to fund infrastructure and new council members utilised LGFA as a source of funding. The average tenor of long-dated borrowing by councils was 6.0 years over the 12-month period, which was longer than the prior year's 4.5 years.

Short-dated lending for terms less than 12 months has been well received by councils and as at 30 June 2019, LGFA had $360 million of short-term loans outstanding to thirty councils.

The credit quality of the sector (and the LGFA loan book) continues to improve with 11 of councils either receiving an improved credit rating or a positive change to their rating outlooks while only two councils have a negative change. All member councils remain compliant with the LGFA lending covenants.

The sector outlook and impact on LGFA

The success of LGFA over the past six years has been in part due to its ability to evolve and adapt to meet the needs of the local government sector. This has been apparent with the introduction of short-term lending, bespoke lending and the introduction of long-dated bond maturities allowing councils to undertake long-dated borrowing. In the past year has progressed work on moving LGFA into a position where it can lend directly to Council-Controlled Organisations in the future within an appropriate framework to manage risk.

Councils have published their 2018-28 Long Term Plans in the past year and the sector is forecasting in aggregate a large increase in their potential debt levels as they look to invest in infrastructure. Some of the investment will be funded from other sources but LGFA is confident it can meet the borrowing needs of the sector. The sector is still awaiting guidance from Central Government regarding the Productivity Commission review into local government funding and financing and the review of the management of drinking water, stormwater and waste water (three waters). These may have a medium-term impact on the sector but LGFA remains comfortable in its ability to assist the sector in meeting any changes as a result of these initiatives.

Acknowledgments

The Agency's work cannot be implemented without the support of staff, directors, Shareholders Council and the New Zealand Debt Management (NZDM), all whose efforts should be acknowledged. I would like to also thank Mark Butcher, our Chief Executive for his leadership of the organisation over the past year. Directors believe the Agency's future remains positive and look forward to working with all stakeholders in the year ahead.

Craig Stobo
Chair, LGFA Board

Sewerage pipes being laid underwater in Lyttelton harbour.
Christchurch City Council Newsline

Performance highlights
Putanga mahi matua

Bonds issued over the financial year

$2.456 billion

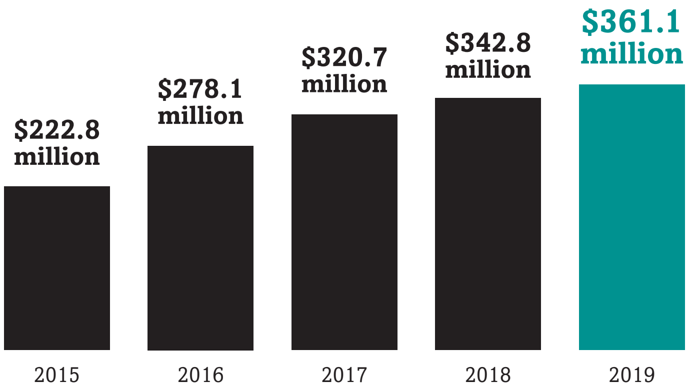
Lending to councils over the financial year

$2.446 billion

Total interest income

$361.1 million

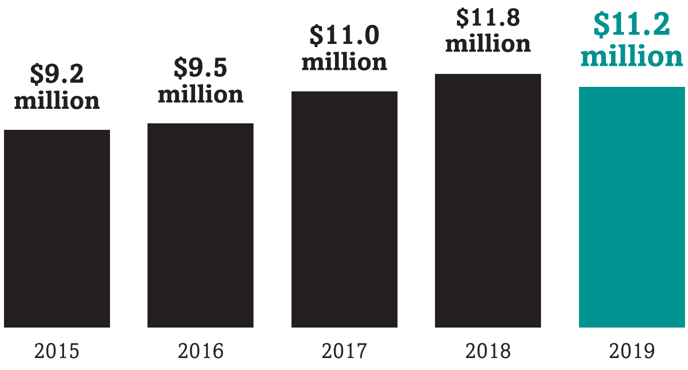
▲ 5.3%
increase over the 2017-18 financial year



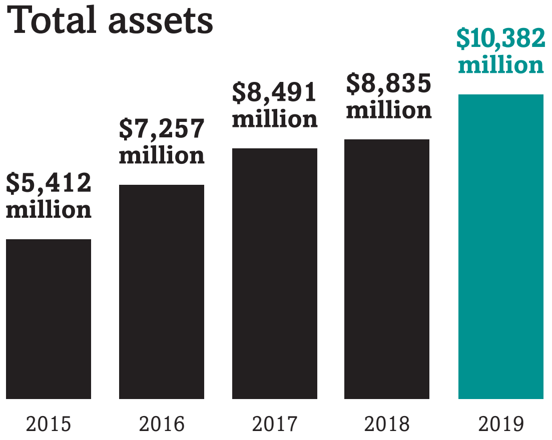
Net operating profit

$11.2 million

▼ 5.1%
decrease over the 2017-18 financial year



Total assets



Liquidity as at 30 June 2019

Cash
$56m

Marketable securities
$256m

Deposits
$136m

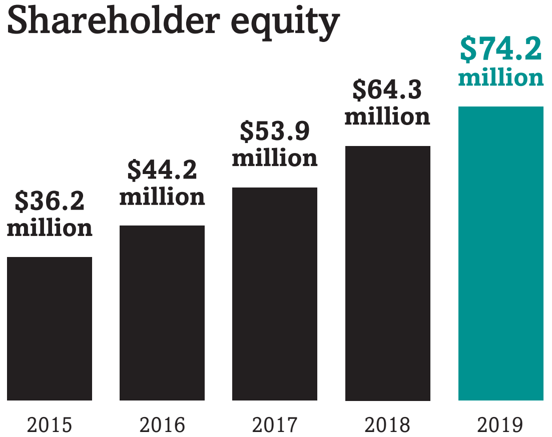
Government committed liquidity facility
$700m

Shareholder funds 30 June 2019

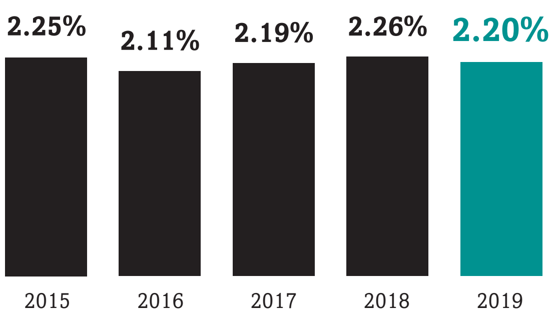
Fully paid shares
$25m

Retained earnings
$49m

Shareholder equity



Shareholder funds and borrower notes / total assets



Borrower Notes are subordinated convertible debt instruments subscribed for by borrowing councils.

Corporate governance
Ārahitanga ā-rangatōpū

NZX Corporate Governance Best Practice Code

The LGFA Board is committed to ensuring LGFA demonstrates ongoing commitment to strong and sound corporate governance.

LGFA is a listed issuer on the NZX Main Board and this section sets out LGFA's compliance with the eight core principles underpinning the NZX Corporate Governance Best Practice Code 2019.

LGFA considers that its governance practices have not materially differed from the NZX Code for the year ended 30 June 2019. Areas where LGFA has implemented alternative measures to the Code are as follows:

An Issuer should establish a nomination committee to recommend director appointments to the Board.	The process for the nomination and remuneration of directors is documented in the Constitution of New Zealand Local Government Funding Agency Limited and outlined below.
An Issuer should have a remuneration committee which operates under a written charter.	

The following governance documents referred to in this section are available on the LGFA website: lgfa.co.nz/about-lgfa/governance:

- LGFA Constitution
- Shareholders Agreement
- Code of Ethics
- Board Charter
- Audit and Risk Committee Charter
- Internal Audit Charter
- Diversity Policy
- Remuneration Policy

Principle 1
Code of ethical behaviour

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

Code of Ethics

LGFA has adopted a formal Code of Ethics, incorporating its Conflicts of Interest Policy and Code of Conduct Policy, which sets out the standards that both directors and employees of LGFA are expected to follow to reflect the values of LGFA.

LGFA recognises impartiality and transparency in governance and administration are essential to maintaining the integrity of LGFA. Accordingly, the Conflicts of Interest Policy formally provides guidance to employees and directors of LGFA in relation to conflicts of interest and potential conflicts of interest, including specific guidance on the process for managing potential conflicts that may arise for non-independent directors. Directors and employees are expected to avoid all actions, relationships and other circumstances that may impact on their ability to exercise their professional duties.

The Code of Conduct Policy requires employees and directors to carry out their roles while maintaining high standards of integrity and conduct by clearly setting out standards for expected behaviour.

In addition, the policy sets out LGFA's commitment to behave in a fair and reasonable manner to employees, while providing a fair and safe working environment.

Protected Disclosures and Whistle Blowing

LGFA has adopted a Protected Disclosures and Whistle Blowing Policy which provides procedure, support and protection to persons who disclose information which they reasonably believe to be about serious wrong-doing in or by LGFA.

Financial Products Trading Policy

LGFA has formally adopted a Financial Products Trading Policy, which applies to all directors, employees and contractors, and details LGFA's policy on, and rules for dealing in, listed debt securities issued by LGFA and any other quoted financial products of LGFA.

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

Principle 2
Board composition and performance

LGFA Board Charter

The LGFA Board has adopted a Board Charter which describes the Board's role and responsibilities and regulates the Board's procedures. The Board Charter states that the role of the Board is to ensure LGFA achieves the its goals. Having regard to its role the Board will direct, and supervise the management of, the business and affairs of LGFA, including:

- ensuring that LGFA's goals are clearly established, and that strategies are in place for achieving them (such strategies being expected to originate, in the first instance, from management);

- establishing policies for strengthening LGFA's performance;
- ensuring strategies are in place for meeting expectations set out in the current Statement of Intent and monitoring performance against those expectations, in particular LGFA's primary objective of optimising the debt funding terms and conditions for participating local authorities;
- monitoring the performance of management;
- appointing the CEO, setting the terms of the CEO's employment contract and, where necessary, terminating the CEO's employment;
- deciding on whatever steps are necessary to protect LGFA's financial position and the ability to meet its debts and other obligations when they fall due, and ensuring that such steps are taken;
- ensuring that LGFA's financial statements are true and fair and otherwise conform with law;
- ensuring that LGFA adheres to high standards of ethics and corporate behaviour; and
- ensuring that LGFA has appropriate risk management/regulatory compliance policies in place.

In the normal course of events, day-to-day management of LGFA will be in the hands of management. The Board will satisfy itself that LGFA is achieving its goals, and engaging and communicating with Shareholders' Council.

Board composition

The LGFA Board comprises five independent Directors and one non-independent Director. An independent director is a director who, within five years prior to appointment, was not an employee of any shareholder, employee of a Council-Controlled Organisation owned by a shareholder, or a councillor of any local authority which is a shareholder.

The directors of LGFA as at 30 June 2019:

Craig Stobo
Independent Chair

BA (Hons) Economics. First Class, Otago
C.F.Inst.D
Associate Member CFA Society New Zealand

Craig has worked as a diplomat, economist, investment banker and Chief Executive Officer of BT Funds Management (NZ) Limited. He has completed the Advanced Management Programme at Wharton Business School in Philadelphia, authored reports to the New Zealand Government on the Taxation of Investment Income (which led to the PIE regime), and the creation of New Zealand as a funds domicile. He currently chairs the listed companies Precinct Properties New Zealand Limited and AIG Insurance (NZ Board). He has directorship and private equity interests in financial services and other businesses.

John Avery
Independent Director

LLB, C.F.Inst.D

John was Managing Partner, then Chairman of Hesketh Henry. He was a director of The Warehouse Group Limited, several start-up businesses, a number of CCOs, an industry cooperative 'ITM', Regional Facilities Auckland Limited and Spider Tracks Limited. He is currently an independent director of Strategic Pay Limited and a Trustee of the Royal New Zealand Ballet.

Philip Cory-Wright

Independent Director

LLB (Hons), BCA Business Management, INFINZ (Cert), C.F.Inst.D

Philip is a solicitor of the High Court of New Zealand and Victoria. He has worked as a corporate finance adviser in New Zealand to the corporate sector on debt and equity matters for more than 30 years. He is currently a director of Powerco (from 1 October 2019), Matariki Forests, South Port New Zealand Limited and Papa Rererangi I Puketapu (New Plymouth Airport). Philip is also a strategic adviser to clients in the energy and infrastructure sectors. He was a member of the Local Government Infrastructure Expert Advisory Group tasked with advising the Minister of Local Government on improvements in local government infrastructure efficiency.

Linda Robertson

Independent Director

B.Com, Dip Banking, INFINZ (Distinguished Fellow), C.F.Inst.D, GAICD

Linda is a professional director with nearly 20 years governance experience and over 30 years experience in executive finance roles, having worked in the banking and energy sector in New Zealand. She is Chair of Pacific Radiology Group, Central Lakes Trust, Crown Irrigation Investments Ltd and Central Otago District Council Audit & Risk Committee, a director of Dunedin City Holdings Limited, Dunedin City Treasury Limited, Dunedin Stadium Property Limited and Central Lakes Direct Limited. Linda is also a member of the Treasury's Capital Markets Advisory Committee and the Treasury's Risk & Audit Committee.

Mike Timmer

Non-Independent Director

CA, BBS, BAgrSci, INFINZ (Cert), M.Inst.D

Mike has worked for Citibank in its financial market section and held accountancy and treasury roles in the health sector and is presently Treasurer at the Greater Wellington Regional Council. He is Chairman of the Finance Committee of Physiotherapy New Zealand Incorporated and past Deputy Chair of the LGFA Shareholders' Council.

Anthony Quirk

Independent Director

BCA Hons (First Class), INFINZ (Fellow), AFA, M.Inst.D

Anthony is an experienced financial services sector professional with over thirty years executive experience in the sector, including nine years as Managing Director of Milford Asset Management. He has a varied portfolio of governance interests with an emphasis on areas that improve or contribute to communities. He is a Fellow of the Institute of Finance Professionals New Zealand (INFINZ) and is a former Chairman of that organisation. He was previously Chair of the Asset Management Advisory Board of the New Zealand Exchange, Deputy Chair and Board member of the New Zealand Society of Investment Analysts and a previous member of the Financial Reporting Standards Board of the New Zealand Society of Accountants.

Name of Director	Nature and extent of interest As at 30 June 2019	
Craig Stobo (Chair)	**Director** Precinct Properties New Zealand Limited Elevation Capital Management Limited Saturn Portfolio Management Limited Stobo Group Limited AIG Insurance NZ Limited SouthWest Trustees Limited Appello Services Limited Biomarine Group Limited Legend Terrace Limited	
John Avery	**Director** Strategic Pay Limited	**General disclosure** Stringer Trust (Trustee) Royal New Zealand Ballet (Trustee)
Philip Cory-Wright	**Director** South Port New Zealand Limited Matariki Forests Papa Rererangi i Puketapu (New Plymouth Airport)	
Anthony Quirk	**Director** Non-Executive Director and Shareholder, Milford Asset Management (and associated subsidiaries) Deputy Chair, Compass Housing NZ	**General disclosure** Chairman, New Zealand Water Polo
Linda Robertson	**Director** Dunedin City Holdings Limited Dunedin City Treasury Limited Dunedin Stadium Property Limited Central Lakes Trust (Chair) and associated subsidiaries. Crown Irrigation Investments Limited (Chair) Pacific Radiology Group Limited (Chair)	**General disclosure** Capital Markets Advisory Committee, The Treasury (Member) Risk & Audit Committee, The Treasury (Member) Audit & Risk Committee, Central Otago District Council (Chair)
Mike Timmer		**General disclosure** Officer, Greater Wellington Regional Council Chairman of Finance Committee, Physiotherapy New Zealand

Nomination of Directors

Director nominations can only be made by a shareholder by written notice to LGFA and Shareholders' Council, with not more than three months, nor less than two months before a meeting of shareholders. All valid nominations are required to be sent by LGFA to all persons entitled to attend the meeting.

Retirement and re-election of Directors

Directors are appointed to the Board by an Ordinary Resolution of shareholders. At each Annual General Meeting, two directors must retire and, if desired, seek re-election. The directors who retire each year are one each of the independent and non-independent, who have been longest in office since their last appointment or, if there are more than one of equal term, those determined by lot, unless the Board resolves otherwise.

Director tenure

As at 30 June 2019

Director	Originally appointed	Last reappointed/ elected	Tenure	Next reappointment
Craig Stobo (Chair)	1 December 2011	21 November 2017	7 years, 7 months	November 2021
John Avery	1 December 2011	21 November 2018	7 years, 7 months	November 2022
Philip Cory-Wright	1 December 2011	24 November 2016	7 years, 7 months	November 2020
Anthony Quirk	21 November 2017	21 November 2017	1 year, 7 months	November 2021
Linda Robertson	24 November 2015	24 November 2015	3 years, 7 months	November 2019
Mike Timmer	24 November 2015	21 November 2018	3 years, 7 months	November 2019

Meetings of the Board

The table below shows attendances at Board, committee and strategy meetings by directors during the year ended 30 June 2019. In addition to the scheduled meetings, additional meetings are convened as necessary to consider specific issues.

Director	Board	Audit and Risk Committee
Craig Stobo (Chair)	6/6	--
John Avery	4/6	--
Philip Cory-Wright	5/6	4/4
Anthony Quirk	6/6	4/4
Linda Robertson (ARC Chair)	6/6	4/4
Mike Timmer	6/6	4/4

Board performance review

The Board has established an annual formal self-assessment procedure to assess director, board and committee performance. In addition, Board performance is reviewed by external consultants on a periodic basis.

Director training

As part of LGFA's commitment to ongoing director education, LGFA regularly invites directors to attend relevant industry conferences and training events, as well as organising for industry experts to attend and present to directors at Board meetings.

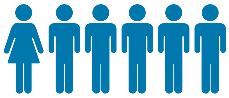
Diversity

The LGFA is committed to promoting a culture that supports both workplace diversity and inclusion within the organisation.

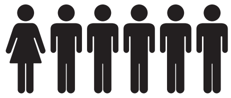
LGFA has formally adopted a Diversity Policy which applies to both LGFA employees and directors. Diversity and inclusiveness at LGFA involves recognising the value of individual differences and managing them in the workplace. Diversity in this context covers gender, age, ethnicity, cultural background, sexual orientation, religious belief, disability, education and family responsibilities.

Appointments to the LGFA Board are made in accordance with LGFA's Constitution and the Shareholders Agreement.

Gender diversity of directors

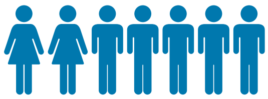


2019
Female 1, Male 5



2018
Female 1, Male 5

Gender diversity of employees



2019
Female 2, Male 5

2018
Female 2, Male 4

Indemnities and insurance

Under LGFA's constitution, LGFA has indemnified directors for potential liabilities and costs they may incur for acts of omission in their capacity as directors. LGFA has arranged directors' and officers' liability insurance covering directors and management acting on behalf of LGFA. Cover is for damages, judgements, fines, penalties, legal costs awarded and defence costs arising from wrongful acts committed while acting for LGFA. The types of acts that are not covered are dishonest, fraudulent, malicious acts, or omissions, wilful breach of statute or regulation, or duty to LGFA, improper use of information to the detriment of LGFA, or breach of professional duty.

Principle 3
Board committees

The Board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.

Audit and Risk Committee

The LGFA Audit and Risk Committee is a committee of the Board.

The Audit and Risk Committee is governed by an Audit and Risk Committee Charter, which states that the purpose of the Audit and Risk Committee is to provide advice, assurance and observations to the Board relating to the effectiveness and adequacy of internal control and risk management systems, processes and activities across LGFA. It assists the Board to fulfil its duties by considering, reviewing and monitoring:

- Risk management framework and processes;
- Internal control environment and mechanisms;
- The operations and effectiveness of the internal audit function;
- Processes relating to the preparation and audit of financial statements of LGFA;
- The integrity of performance information, including financial reporting;
- The governance framework and process;
- Policies, processes and activities to ensure compliance with legislation, policies and procedures; and
- Statutory/regulatory disclosure and reporting and performance against Statement of Intent targets.

Audit and Risk Committee members are appointed by the Board. Membership comprises at least three directors, the majority of whom must be independent. The members of the Audit and Risk Committee as at the date of this Annual Report are:

- Linda Robertson (Chair)
- Philip Cory-Wright
- Anthony Quirk
- Mike Timmer

Principle 4
Reporting and disclosure

The Board should demand integrity in financial and non-financial reporting and in the timeliness and balance of corporate disclosures.

The Board is committed to ensuring the highest standards are maintained in financial reporting and disclosure of all relevant information.

The Audit and Risk Committee has responsibility to provide assurance to the Board that due process has been followed in the preparation and audit of the financial statements of LGFA and to ensure there are appropriate processes and activities to ensure compliance with relevant regulatory and statutory requirements.

LGFA has adopted a formal Continuous Disclosure Policy, the requirements of which ensure that LGFA meets the continuous disclosure requirements of the NZX Listing Rules including the disclosure for material environmental, social and governance (ESG) factors.

LGFA have adopted the GRI Sustainability Reporting Standards (GRI standards) and initiated a process for identifying material ESG factors, which will be disclosed in the 2020 Annual Report.

Principle 5
Remuneration

The remuneration of directors and the executives should be transparent, fair and reasonable.

The remuneration of the Board reflects LGFA's size and complexity and the responsibilities, skills, performance and experience of the directors. A specialist independent adviser may be used to ensure the remuneration is appropriate.

Board remuneration is determined by an Ordinary Resolution of shareholders. The current board remuneration was approved by shareholder resolution at the Annual General Meeting on 21 November 2017.

Approved Director annual fee breakdown

Position. Fees per annum	2019	2018
Board Chair	$97,000	$97,000
Audit and Risk Committee Chair	$60,000	$60,000
Director	$55,000	$55,000

Director remuneration

Director	2019
Craig Stobo	$97,000
John Avery	$55,000
Philip Cory-Wright	$55,000
Anthony Quirk	$55,000
Linda Robertson	$60,000
Mike Timmer	$55,000
Total	**377,000**

The remuneration of the CEO is determined by the Board and is reviewed on an annual basis taking into consideration the scope and complexity of the position with reference to the remuneration of CEOs of similar organisations. A specialist independent adviser may be used to ensure the remuneration is appropriate.

The CEO remuneration package comprises a fixed cash component of $530,000 per annum as at 30 June 2019 ($504,000, 2018) and an at-risk short-term incentive of up to 15% of the fixed cash component. The short-term incentive payment is made annually at the Board's discretion subject to the CEO and LGFA meeting a range of specific performance objectives for the respective financial year.

Chief Executive remuneration

	2019	2018
Salary	$530,000	$504,000
Taxable benefits	-	-
Subtotal	$530,000	$504,000
Pay for Performance STI	$71,550	$75,600
Total remuneration	$601,550	$579,600

Staff remuneration

Total remuneration	2019
$130,000 to $139,999	1
$150,000 to $159,999	1
$240,000 to $249,999	1
$300,000 to $309,999	1
$600,000 to $609,999	1
Total staff receiving $100,000 or more	**5**

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

Principle 6 **Risk management**

LGFA recognises that an effective risk management framework is a critical part of its business structure. LGFA is exposed to both business and treasury related risks because of its normal business activities that relate to raising and on-lending funds to local councils.

LGFA adopts the three lines of defence model to ensure that essential risk management functions are completed using a systematic approach that reflects industry best practice:

- The first line of defence relates to the operational risk and control within the business. Managers within the business are responsible for identifying controls, maintaining effective controls, assessing the controls and mitigating risks. The first line of defence establishes risk ownership within the business.
- The second line of defence relates to establishing risk control within the organisation and involves reviewing risk reports, checking compliance against the risk management framework and ensuring that risks are actively and appropriately managed.
- The third line of defence establishes risk assurance using both internal and external audit functions to highlight control weaknesses and inefficiencies to management. The audit functions provide independent assurance on the risk governance framework.

The Audit and Risk Committee assists the Board by considering, reviewing and monitoring LGFA's risk management framework and processes, and the internal control environment and mechanisms.

LGFA continually reviews its core business risks. This review process includes the identification and assessment of core business risks which are ranked using predetermined criteria for both the likelihood and potential impact of each risk. LGFA maintains a company-wide risk register which records all identified risks, potential impacts and the controls and mitigation strategies used to manage the risks.

LGFA has treasury exposures arising from its normal business activities that principally relate to the raising and on-lending of funds. A detailed description of LGFA's risk management processes for treasury exposures is detailed in the Treasury Risk Management section of this report.

Internal audit

LGFA has established an internal audit function to provide assurance that LGFA's risk management, governance and internal controls are operating effectively.

The Audit and Risk Committee has responsibility for oversight of the internal audit function, including:

- Reviewing the Internal Audit Charter, the operations of the internal audit and organisational structure of the internal audit function;
- Reviewing and approving the annual audit plan;
- Reviewing the effectiveness of the internal audit function; and
- Meeting separately with the internal auditor to discuss any matters that the Audit and Risk Committee or Internal Audit believes should be discussed privately.

Health and safety

LGFA is committed to a safe and healthy work environment and has formally adopted a Health and Safety Policy that clearly sets out the duty of directors and staff under the Health and Safety at Work Act 2015. A staff health and safety committee has been established with responsibility to continuously review health and safety issues and ongoing compliance with the Act, with reporting to the Board on health and safety issues at each Board meeting.

Principle 7
Auditors

The Board should ensure the quality and independence of the external audit process.

External audit

The external audit of LGFA is conducted in accordance with Section 14 of the Public Audit Act 2001, including the appointment of the external auditors of LGFA by the Auditor-General.

The Audit and Risk Committee has responsibility for all processes relating to the audit of financial statements, including the setting of audit fees and ensuring the independence and objectivity of the auditors.

The external audit of LGFA is conducted in accordance with a formal external audit plan which is reviewed and approved by the Audit and Risk Committee on an annual basis. The external auditor attends LGFA's Annual General Meeting.

Principle 8
Shareholder rights and relations

The Board should respect the rights of shareholders and foster relationships with shareholders that encourage them to engage with the issuer.

LGFA has 31 Shareholders, comprising the New Zealand Government (20%) and 30 councils (80%).

New Zealand Government
Auckland Council
Bay of Plenty Regional Council
Christchurch City Council
Gisborne District Council
Greater Wellington Regional Council
Hamilton City Council
Hastings District Council
Hauraki District Council
Horowhenua District Council
Hutt City Council
Kapiti Coast District Council
Manawatu District Council
Marlborough District Council
Masterton District Council
New Plymouth District Council
Otorohanga District Council
Palmerston North City Council
Selwyn District Council
South Taranaki District Council
Tasman District Council
Taupo District Council
Tauranga City Council
Thames-Coromandel District Council
Waimakariri District Council
Waipa District Council
Wellington City Council
Western Bay of Plenty District Council
Whakatane District Council
Whanganui District Council
Whangarei District Council

Foundation documents

The LGFA Constitution and the Shareholders' Agreement are foundation documents.

The LGFA Constitution defines the rights and the exercise of powers of shareholders, the acquisition and redemption of company shares, proceedings of shareholder meetings, voting at meetings and the right to demand polls, shareholder proposals and review of management.

The Shareholders' Agreement is an agreement between the Company and its shareholders which clearly defines LGFA's business, its objectives, the role of the Board, the establishment of the Shareholders' Council and the approval rights of the shareholders.

LGFA Shareholders' Council

The LGFA Shareholders' Council comprises five to ten appointees from the Council Shareholders and the New Zealand Government. The role of the Shareholders' Council comprises the following:

- Review and report performance of LGFA and the Board;
- Recommendations to Shareholders as to the appointment, removal, replacement and remuneration of directors;
- Recommendations to Shareholders as to any changes to policies, or the Statement of Intent (SOI), requiring their approval;
- Update Shareholders on LGFA matters and to coordinate Shareholders on governance decisions.

Members of the Shareholders' Council as at 30 June 2019

- Alan Adcock, Whangarei District Council, Chair
- John Bishop, Auckland Council, Deputy Chair
- Mohan de Mel, Tauranga City Council
- David Bryant, Hamilton City Council
- Kumaren Perumal, Western Bay of Plenty District Council
- Mat Taylor, Bay of Plenty Regional Council
- Martin Read, Wellington City Council
- Mike Drummond, Tasman District Council
- Carol Bellette, Christchurch City Council
- Richard Hardie/Oliver Martin, New Zealand Government

Sustainability and Social Responsibility

Te Rōnakitanga me te Haepapa ā-Pāpori

The LGFA Board is responsible for corporate social responsibility and I am pleased to advise that work is currently progressing on incorporating social responsibility and sustainability as inherent components of our operational environment, as well as working to improve LGFA's non-financial disclosures.

Over the course of the coming year LGFA will continue developing its environmental, social and governance responsibilities and practices, including identifying the material topics that reflect LGFA's economic, environmental and social impacts, or that substantively influence the assessments and decisions of stakeholders.

For the first time, this year LGFA have incorporated Global Reporting Initiative (GRI) standards in preparing our Annual Report and a GRI index has been included as an appendix (Page 80).

As at the date of this report, work is still progressing on identifying and reporting on the material topics that reflect LGFA's significant economic, environmental and social impacts. It is anticipated that this work will be complete for inclusion in the 2020 Annual Report.

The GRI Sustainability Reporting Standards (GRI Standards) are the first and most widely adopted global standards for sustainability reporting and our objective is that future reports will be prepared in accordance with the GRI standards.

Craig Stobo
Chair, LGFA Board

LGFA staff assisted BNZ staff with planting of Kauri trees in the Coromandel region in June 2019. The planting commemorated BNZ's association with the Kauri 2000 Trust and the issue of LGFA's first syndicated bonds. BNZ was the Arranger to the issue.

Kauri 2000 evolved out of a project to mark the start of the new millennium with a goal to plant 2000 kauri. To date the Trust has planted over 50,000 kauri on the Coromandel Peninsula and continues to plant kauri throughout the Coromandel. The Kauri 2000 Trust is a non-profit charitable trust, established in 2000 and registered in New Zealand under the Charities Act 2005.

Enhancing local community wellbeing

Te whakarei i te oranga hapori ā-rohe

LGFA's investment in local government enables councils to generate value through projects that create wellbeing in their local communities. Wellbeing is underpinned by social, environmental and economic capitals. Enhancing community wellbeing builds on this capital and generates value including economic and/or social benefits, safety, resilience, or environmental benefits. Two examples of local government investments in community wellbeing follow.

The Thames-Coromandel District Council

Clean green travel

The Thames-Coromandel District Council's 'Coromandel Electric Vehicle Touring Loop' comprises a network of fast-charging stations at various locations around the Coromandel which puts most of the district within range of electric vehicle travel.

The chargers, which can charge an electric vehicle (EV) in about 20 minutes, have been installed thanks to a collaboration between our Council, Powerco, ChargeNet NZ and the Energy Efficiency Conservation Authority.

Establishing EV infrastructure in the Thames-Coromandel District creates community wellbeing through the economic benefits of EV tourism, environmental benefits of electric mobility and through future-proofing the community's travel choices.

The Thames-Coromandel District Council was a finalist in the 2019 Local Government New Zealand (LGNZ) EXCELLENCE Awards for Environmental Well-being award which recognises projects that enhance the environmental well-being of their community.

Pictured is Mayor Sandra Goudie at the launch of the Scenic Touring Route in December 2017.

Hamilton City Council

Better Lighting, safer communities

Hamilton's streets are now better-lit, safer and cheaper to illuminate thanks to the installation of 16,000 LED customised streetlights.

The project saved Hamilton City Council (HCC) $250,000 in reduced power and maintenance in the first year, and $550,000 in the second year. It has made major health and road safety improvements and protected the things Hamiltonians value most.

It has also changed national lighting specifications which, over time, will drive fundamental change in the way New Zealanders see and experience light. The work from HCC has been universally praised by environmentalists, health professionals, lighting experts and astronomers and most importantly, the wider community.

Finally, the project has done the most important thing of all. It has directly contributed to Hamilton City Council's core purpose, "to improve the well-being of all Hamiltonians".

Hamilton City Council
Te kaunihera o Kirikiriroa

Treasury risk Management

Whakahaeretanga ā-mōrearea

LGFA funds itself through domestic and international wholesale and retail debt capital markets, with the funds raised on-lent to participating New Zealand Local Authority borrowers. LGFA activities are governed by the Local Government Borrowing Act 2011, the Local Government Act 2002, and the Companies Act 1993. In addition, the company is required to comply with 'Foundation Policies' outlined in the Shareholders Agreement. Any change to the Foundation Policies require shareholders' consent.

The LGFA risk management framework uses an approved risk identification and assessment framework to actively monitor and manage all treasury and financial risks using best practice risk management principles, processes and practices.

LGFA has treasury exposures arising from its normal business activities that principally relate to the raising and on-lending of funds. LGFA manages treasury exposures under a Board-approved Treasury Policy. The objectives for the Treasury Policy are to:

- Effectively manage treasury risks within approved compliance limits to protect LGFA's capital position and Net Interest Margin over time.
- Fund participating local authorities in the most cost-effective manner and in accordance with the operating principles, values and objectives of the LGFA.
- Protect LGFA's assets and prevent unauthorised transactions.
- Promote professional expertise of financial and management control to all external parties.
- Minimise operational risk by maintaining adequate internal controls, systems and staffing competencies.
- Provide timely reporting to the LGFA Board with meaningful and accurate reporting of interest rate exposures, liquidity, asset and liability maturity, funding, counterparty credit, performance and Policy compliance.

Specific treasury exposures relate to liquidity, interest rate/market risk, foreign exchange, counterparty credit, operational and lending risks.

Liquidity risk

Liquidity risk refers to the potential inability of LGFA to meet its financial obligations when they become due, under normal or abnormal/stressed operating conditions.

Liquidity risk is managed using a forecasted cashflow approach measured over 30-day, 90-day and one-year periods. LGFA is required to maintain sufficient liquidity (comprising a government standby facility and holdings of cash and liquid investments) to support 12 months operating and funding commitments.

Interest rate risk / market risk

Interest rate risk is the risk that financial assets may re-price/mature at a different time and/or by a different amount than financial liabilities.

Market risk is managed using Value at Risk (VaR) and Partial Differential Hedge (PDH) limits to mitigate the potential change in value of the balance sheet due to changes in interest rates.

- PDH risk measures the sensitivity of a portfolio to a one basis point change in underlying interest rates. For example, a PDH of NZD$40,000 means that the portfolio value will increase by NZD $40,000 for a one basis point fall in interest rates.
- Value at Risk is used to measure market risk. The VaR model calculates the potential amount LGFA's portfolio could be expected to lose 5% of the time over a given time period. It is calculated using historical changes in underlying risk variables and applying those changes to the current portfolio.

LGFA measures VaR over a daily time horizon with a 95% confidence interval. A daily 95% VaR exposure of $100,000 means that there is a 5% chance that the portfolio could potentially lose more than $100,000 over the next business day.

Counterparty credit risk

Counterparty credit risk is the risk of financial loss to LGFA (realised or unrealised) arising from a counter-party defaulting on an investment, security and/or financial instrument where LGFA is a holder or party.

Counterparty credit risk is managed through:

- Counterparty limits for investments. These are determined as a function of the term of investment, liquidity and credit quality of the counterparty (as measured by credit rating).
- Counterparty risk on derivative contracts is mitigated by utilising the Treasury (New Zealand Debt Management) as the counterparty to derivative contracts.

Investment is restricted to approved financial investments listed in the Treasury Policy.

Foreign currency risk

Exposure to foreign exchange could exist if LGFA accesses foreign capital markets for funding purposes.

Foreign exchange risk is managed through a requirement for LGFA to fully hedge back to floating rate NZD the full amount and term of all foreign currency funding and cash flows.

Operational risk

Operational risk, with respect to treasury management, is the risk of financial and/or reputation loss because of human error (or fraud), negligent behaviour, system failures and inadequate procedures and controls.

Operational risk is managed using internal controls and procedures across LGFA's operational functions. Segregation of duties between staff members who have the authority to enter transactions with external counterparties and the staff who control, check and confirm such transactions is a cornerstone internal control principle.

Financial instruments are not entered into if the systems, operations and internal controls do not satisfactorily support the measurement, management and reporting of the risks.

Lending risk

LGFA provides debt funding solely to New Zealand Local Government councils i.e. the Local Government borrowing counterparty will be the Council itself and will not be any Council-Controlled Organisation, Council-Controlled Trading Organisation, Council joint venture or partially-owned entity.

The LGFA Board have ultimate discretion on approving term funding to councils.

All Local Authorities that borrow from LGFA:

- Provide debenture security in relation to their borrowing from LGFA and related obligations, and (if relevant), equity commitment liabilities to LGFA and (if relevant) guarantee liabilities to a security trustee approved for LGFA's creditors.
- If the principal amount of a Local Authority's borrowings is at any time equal to, or greater than, NZD 20 million, then it is required to become a party to a deed of guarantee and an equity commitment deed.
- Issue securities (bonds/floating rate notes/commercial paper) to LGFA (i.e. not enter into facility arrangements).
- Comply with their own internal borrowing policies.
- Comply with the financial covenants outlined in the following table, provided that:
    - Unrated Local Authorities or Local Authorities with a long-term credit rating lower than 'A' equivalent can have bespoke financial covenants that exceed the:
        - Lending policy covenants outlined in the following table only with the approval of the Board;
        - Foundation policy covenants outlined in the following table only with the approval of an Ordinary Resolution of shareholders.

Financial covenant	Lending policy covenants Non-rated councils	Foundation policy covenants Rated councils
Net debt / total revenue	<175%	<250%
Net interest / total revenue	<20%	<20%
Net interest / annual rates income	<25%	<30%
Liquidity	>110%	>110%

- Local Authorities with a long-term credit rating of 'A' equivalent or higher can have bespoke financial covenants that exceed the foundation policy covenants only with the approval of an Ordinary Resolution of shareholders.
- Any Board or Ordinary Resolution approval of bespoke financial covenants will only be provided after a robust credit analysis and any approval must also include bespoke reporting and monitoring arrangements.
- Non-compliance with the financial covenants will either preclude a council from borrowing from LGFA or, in the case of existing council, borrowers trigger an event of review. An event of default will occur if (among other things) a council fails to meet an interest or principal payment (subject to grace periods). An event of default will enable LGFA to accelerate all loans to the defaulting council.
- Total revenue is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions, e.g. developer contributions and vested assets.
- Net debt is defined as total consolidated debt less liquid financial assets and investments.
- Liquidity is defined as external debt plus committed loan facilities plus liquid investments divided by external debt.
- Net interest is defined as the amount equal to all interest and financing costs less interest income for the relevant period.
- Annual rates income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other local governments for services provided and for which the other local governments rate.

Financial covenants are measured on Council only, not consolidated group (except Auckland Council, or if specifically requested by any other council).

To minimise concentration risk, LGFA requires that no more than the greater of NZD 100 million or 33% of a Council's borrowings from LGFA will mature in any 12-month period.

Auckland Council is limited to a maximum of 40% of LGFA's total Local Government assets.

The Whitcombe Valley Road project will widen the road and lengthen the seal to the Iconic Hokitika Gorge.
Westland District Council

Performance against objectives

Tutukinga mahi ki ōna whāinga

The statement of service performance details LGFA's performance against the objectives and targets set out in the LGFA Statement of Intent 2018-19 (SOI)

Performance against primary objectives

This section sets out LGFA's performance for the year ended 30 June 2019 against the two primary objectives set out in the 2018-19 SOI.

1. **LGFA will operate with the primary objective of optimising the debt funding terms and conditions for Participating Local Authorities. Among other things this includes:**

i. **Providing savings in annual interest costs for all Participating Local Authorities on a relative basis to other sources of financing;**

LGFA aims to minimise its issuance margin over swap rates to provide cost-effective funding to councils. The LGFA margin to swap will depend upon several factors including the relative demand and supply of high grade bonds, general credit market conditions, performance of New Zealand Government bonds and swap rates, investor perceptions of LGFA and the issuance volume and tenor of LGFA bonds.

2018-19 performance objectives

The SOI set out two primary performance objectives and eight additional objectives for LGFA for the year ended 30 June 2019:

Primary objectives

1. LGFA will operate with the primary objective of optimising the debt funding terms and conditions for Participating Local Authorities. Among other things this includes:
   i. Providing savings in annual interest costs for all Participating Local Authorities on a relative basis to other sources of financing;
   ii. Making longer-term borrowings available to Participating Local Authorities;
   iii. Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practice; and
   iv. Offering more flexible lending terms to Participating Local Authorities.
2. LGFA will monitor the quality of the asset book so that it remains of a high standard by ensuring it understands each Participating Local Authority's financial position and the general issues confronting the Local Government sector. This includes
   i. LGFA will review each Participating Local Authority's financial position, its financial headroom under LGFA policies and endeavour to visit each Participating Local Authority on an annual basis;
   ii. LGFA will analyse finances at the Council group level where appropriate;
   iii. LGFA will review its debt covenant methodology and assessment of council financial position at group vs parent. LGFA will present its findings to councils at the LGFA Shareholder-Borrower Day, including a comparison of LGFA methodology to that of the credit rating agencies;
   iv. LGFA will work closely with the Department of Internal Affairs (DIA), Office of the Auditor General (OAG) and Local Government New Zealand (LGNZ) on sector and individual council issues; and
   v. LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market

Additional objectives

1. Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy set out in section 6 of the SOI;
2. Provide at least 50% of aggregate long-term debt funding to the Local Government sector;
3. Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses set out in section 4 of the SOI;
4. Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015;
5. Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency;
6. Achieve the Financial Forecasts (excluding the impact of AIL) set out in section 4 of the SOI;
7. Meet or exceed the Performance Targets outlined in section 5 of the SOI; and
8. Comply with its Treasury Policy, as approved by the Board.

Given that LGFA tends to match fund its on-lending to councils where possible, i.e. tends to issue bonds in a similar tenor and volume as its on-lending, then LGFA only has influence over investor perception amongst the above factors that determine LGFA spreads to swap.

There will be periods within the interest rate and credit market cycles when LGFA bonds will outperform its benchmarks (spread narrowing) and there will be periods of time when LGFA bonds underperform (spread widening). It is also very difficult to find an appropriate benchmark to measure performance against.

LGFA spreads to swap have consistently narrowed since it first began issuing bonds in February 2012 and over the past year, spreads to swap as measured by secondary market levels have widened on the shorter LGFA bond maturities and narrowed on the long-dated maturities.

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LGFA bond margin to swap Basis points	As at 30 June 2019	As at 30 June 2018	Spread movement increase (reduction)
15-Mar-19	n/a	4	n/a
15-Apr-20	11	5	6
15-May-21	15	11	4
14-Apr-22	22	20	2
15-Apr-23	30	34	(4)
15-Apr-24*	37	n/a	n/a
15-Apr-25	41	53	(12)
15-Apr-27	46	54	(8)
14-Apr-33	67	79	(12)

* The first tranche of the 2024 bond was issued in March 2019.

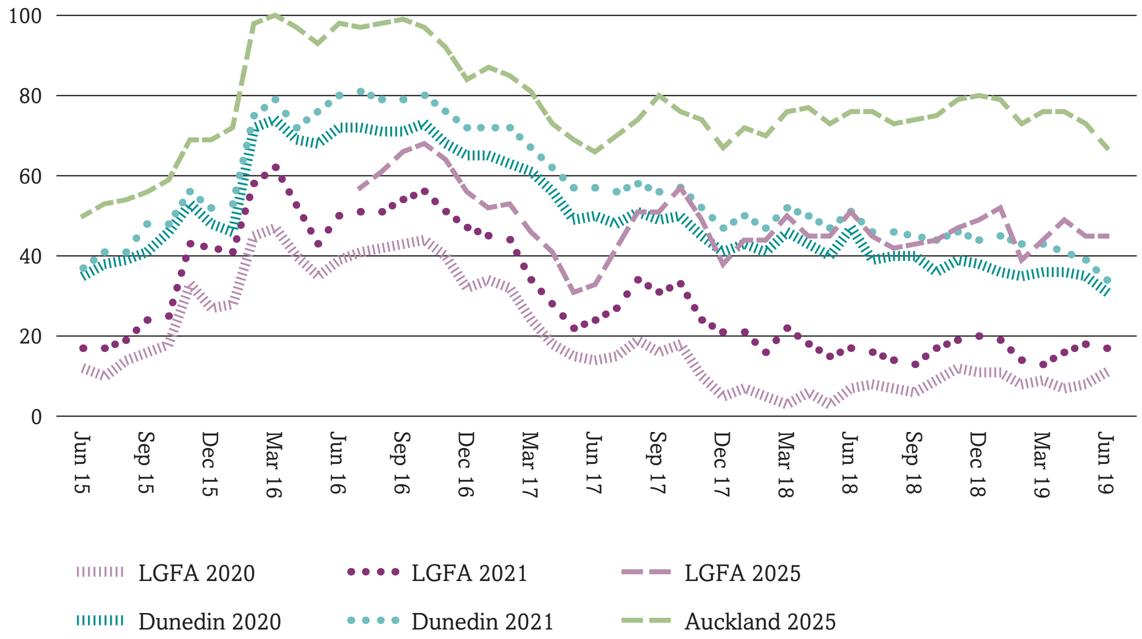
Some of the movement is due to the changes in the spread between swap rates and NZ Government Bond (NZGB) yields as over the same period LGFA spreads to NZGB have narrowed for all maturities.

LGFA bond margin to NZGB Basis points	As at 30 June 2019	As at 30 June 2018	Spread movement increase (reduction)
15-Mar-19	n/a	30	n/a
15-Apr-20	35	37	(2)
15-May-21	36	44	(8)
14-Apr-22	42	53	(11)
15-Apr-23	51	69	(18)
15-Apr-24*	59	n/a	n/a
15-Apr-25	65	83	(18)
15-Apr-27	70	83	(13)
14-Apr-33	92	104	(12)

* The first tranche of the 2024 bond was issued in March 2019.

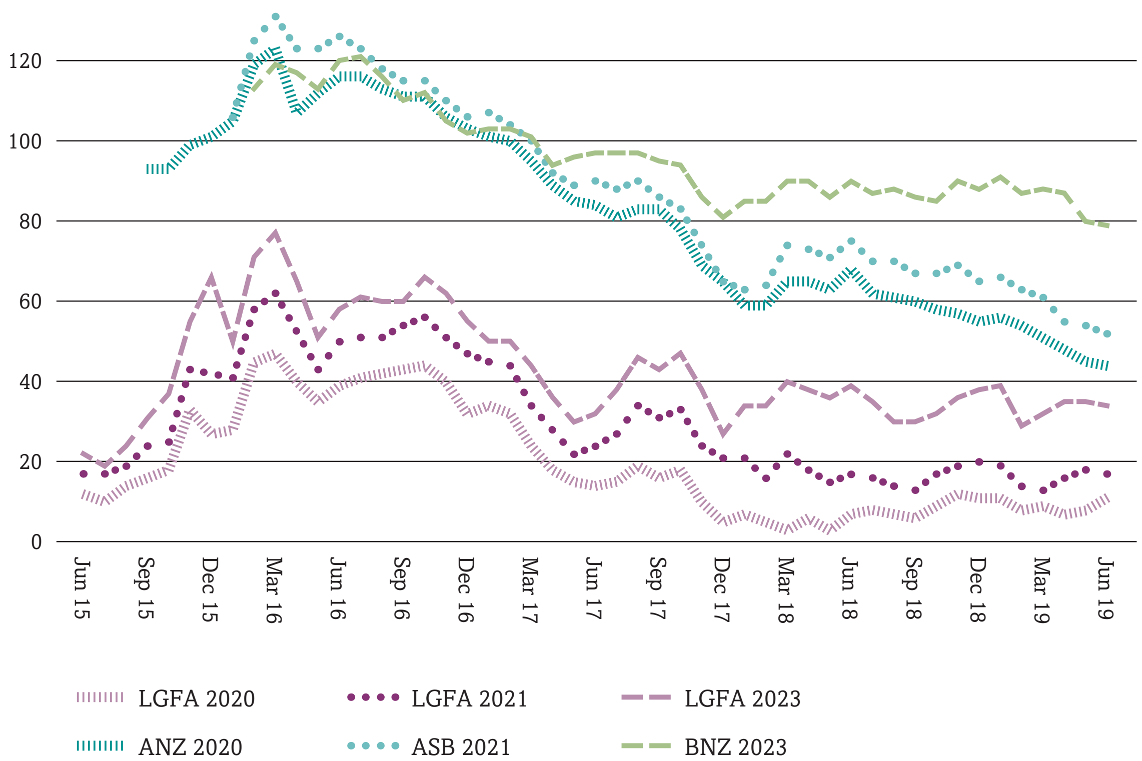
LGFA continues to provide savings in borrowing cost for councils relative to other sources of borrowing. LGFA compares secondary market spreads on its bonds to those of Auckland Council and Dunedin City Treasury (as a proxy for councils borrowing in their own name) and a mix of banks (as a proxy for general market conditions).

Secondary market credit spread to swap for LGFA and council bonds
(basis points)



Source: Bloomberg, LGFA

Secondary market credit spread to swap for LGFA and bank bonds
(basis points)



Source: Bloomberg, LGFA

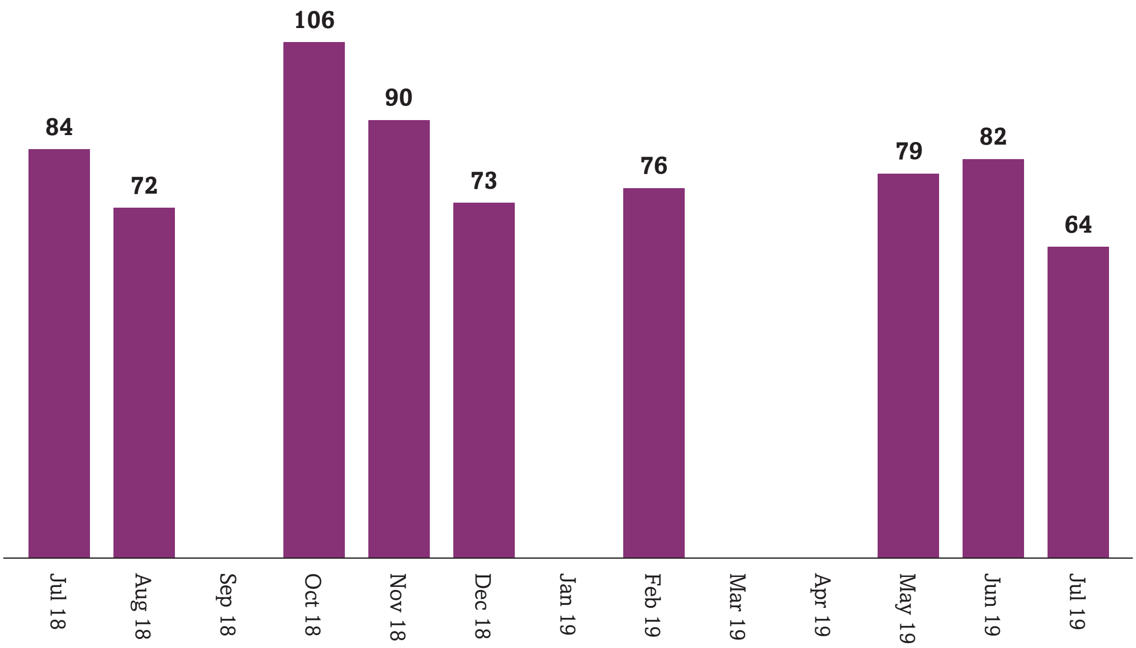
From the table below, based upon secondary market spread as at 30 June 2019, LGFA saved AA-rated councils an estimated 7 bps to 9 bps depending upon the term of maturity. This compares to savings of between 10 bps and 21 bps a year ago. The savings are less than a year ago due to (i) the relative size of issuance between LGFA and the two councils over the past year (ii) in the current low interest rate environment, investors have been seeking additional yield and the contraction in margins has been greater for higher yielding bonds.

30 June 2019	Dunedin 2020	Dunedin 2021	Auckland 2022	Auckland 2025	Auckland 2025
AA-rated councils' margin to swap	29	34	39	58	73
Less LGFA margin to swap	(11)	(15)	(22)	(41)	(53)
LGFA Gross Funding Advantage	18	19	17	17	20
Less LGFA Base Margin	(10)	(10)	(10)	(10)	(10)
Total Saving	8	9	7	7	10

ii. Making longer-term borrowings available to Participating Local Authorities;

The average borrowing term (excluding short-dated borrowing) for the 12-month period to June 2019 by council members was 6.0 years and this was longer than the average borrowing term of 4.5 years for the prior year. The lengthening in term was due to councils reacting to the narrowing in borrowing spreads and low outright yields. However, the length of borrowing remains short relative to the 2015/16 year (7.8 years) and 2016/17 year (8.1 years) and relative to the forecast increase in sector projected debt levels in the future combined with low interest rates.

Average total months to maturity – on-lending to councils



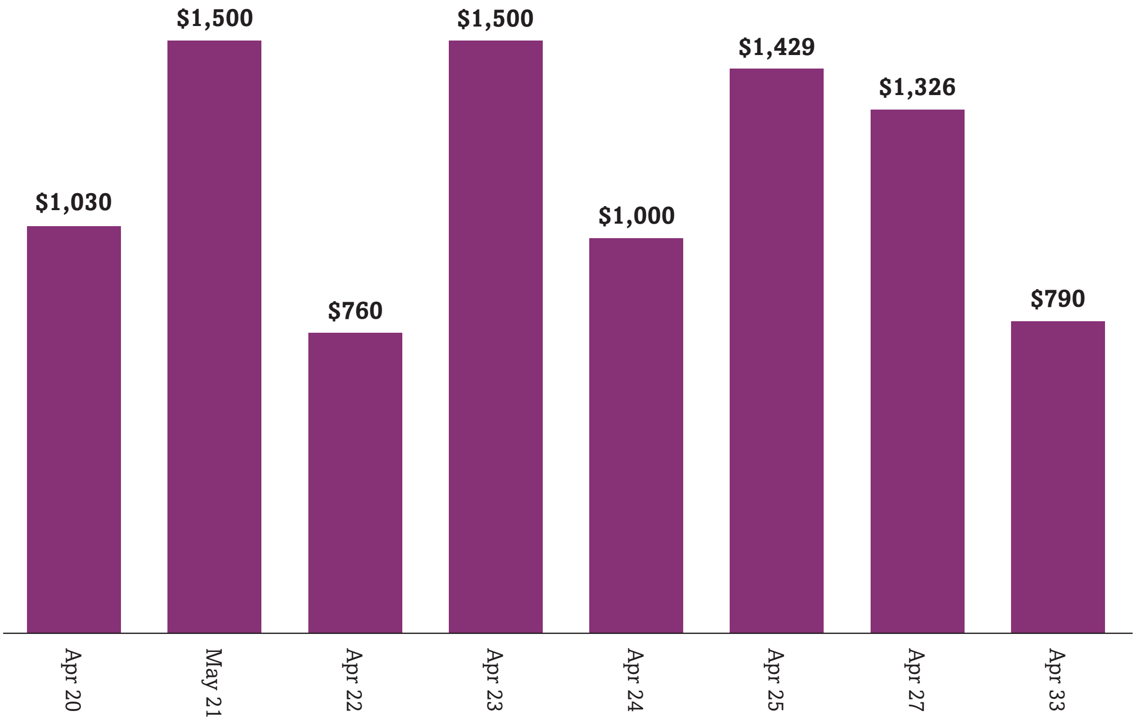
While LGFA provides councils with the ability to borrow from LGFA for terms from one month to 14 years, it is up to the councils to determine their preferred term of borrowing.

In March 2019 LGFA commenced the issuance of a 5-year bond (April 2024) and this shorter maturity was, for the second consecutive year, against the previous trend of introducing a new longer-dated bond each financial year. The decision to issue a new mid-curve bond maturity was made to reduce the mismatch between bond issuance and council on-lending. However, with the ongoing issuance of the April 2033 LGFA bond, councils can borrow on a bespoke basis out to 14 years.

The following chart shows the total LGFA bond outstandings, including treasury stock, by maturity as at 30 June 2019.

LGFA bonds on issue (NZ$ million)

As 30 June 2019 : NZ$9,335 million
Includes NZ$400 million treasury stock



iii. Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practice;

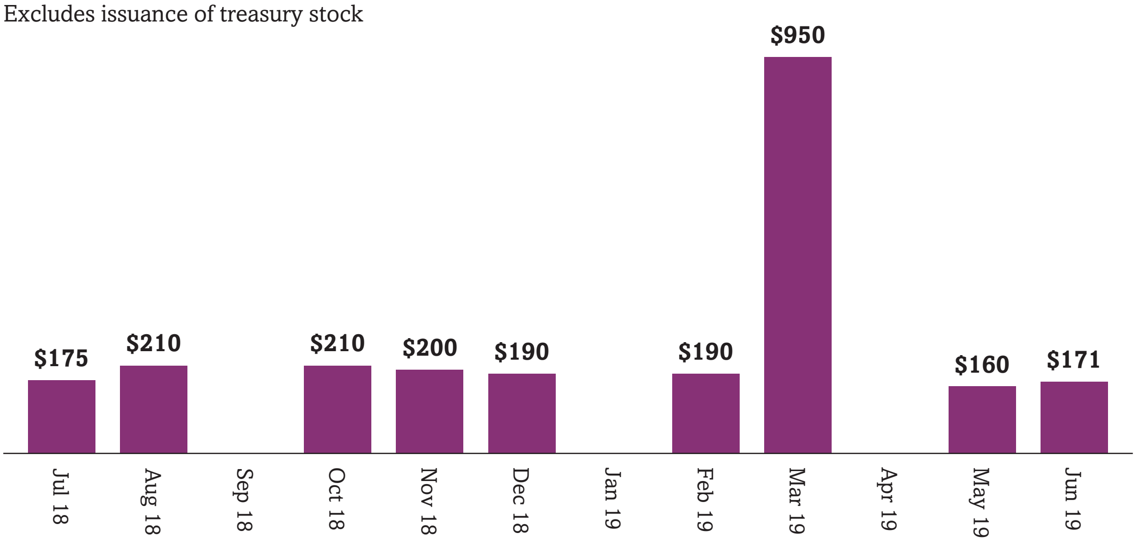
LGFA listed its bonds on the NZX Debt Market in November 2015 and this has led to greater awareness and participation in LGFA bonds by domestic retail and offshore investors. Average turnover on the NZX Debt Market since listing has been $11 million per month or 8% of the total turnover of the NZX Debt Market. Turnover has remained at lower than normal levels over the past twelve months as retail investors are more attracted to higher term deposit rates.

LGFA commenced the issuance of LGFA Bills for terms of three months and six months in late 2015. Because of this issuance, LGFA has offered short-term loans of less than one year to councils since 2015. As at 30 June 2019, LGFA has short-term loans outstanding to 29 councils of $360 million funded by LGFA Bills on issue of $505 million.

LGFA held eight bond tenders during the 12-month period to 30 June 2019, with an average tender volume of $188 million and a range of $160 million to $210 million in size. LGFA also issued $1.0 billion of an April 2024 maturity via syndication in March 2019. This was LGFA's first syndicated issue.

LGFA bond issuance by tender (NZ$ million)

Excludes issuance of treasury stock



All tenders were successful although in general, demand was less than in previous years due to lower interest rates and tighter spreads to NZGBs. The average bid-coverage ratio across the eight bond tenders was 2.6 times and this compared to the average of 3.1 times for the sixty-four bond tenders held since LGFA first commenced issuance in February 2012.

LGFA bond tender results by maturity	2018-19 annual issuance amount (NZ$ million)	LGFA tender average bid coverage ratio	LGFA tender average successful bid range
15 March 2019	Nil	n/a	n/a
15 April 2020	Nil	n/a	n/a
15 May 2021	30	3.17x	0 bps
14 April 2022	440	2.26x	1.0 bps
15 April 2023	21	2.81x	0 bps
15 April 2024*	1,000	n/a	n/a
15 April 2025	410	3.18x	1.9 bps
15 April 2027	220	2.30x	2.9bps
14 April 2033	385	2.10x	5.0 bps
Across all LGFA maturities	1506	2.6x	1.8bps

* $1.0 billion issued via syndication.

The successful bid range (difference between the highest and lowest successful bid yield) for each maturity at each tender averaged between 0 bps and 5 bps with an average successful bid range of 1.8 bps across all maturities and all tenders over the year.

LGFA issued $1.0 billion of a new 15 April 2024 bond in March 2019 via its first syndication. Previous years' issuance had been by tenders. The syndication was timed to coincide with the large amount of LGFA, NZGB and Kauri bond maturities that month.

iv. Offering more flexible lending terms to Participating Local Authorities.

Councils can currently access flexible lending conditions by using the short-term lending and bespoke lending products. Short-term lending is for loans between 30 days and 364 days while bespoke lending is where councils can borrow for any term between one year and the longest-dated LGFA bond maturity (currently 14 April 2033) on any drawdown date. Therefore, council members can borrow for terms ranging from 30 days to almost 14 years at any time they wish to drawdown.

Bespoke lending into non-LGFA bond maturity dates for council members has continued to grow in popularity over the past year. During the 12-month period to 30 June 2019, LGFA lent $1.102 billion on a bespoke maturity basis across 111 individual loans. This was 45% of total term lending to council members over that period.

Short-term borrowing by councils as at 30 June 2019 was $360 million comprising borrowing from 29 councils for terms between one and 12 months.

2. LGFA will monitor the quality of the asset book so that it remains of a high standard by ensuring it understands each Participating Local Authority's financial position and the general issues confronting the Local Government sector. This includes

i. LGFA will review each Participating Local Authority's financial position, its financial headroom under LGFA policies and endeavour to visit each Participating Local Authority on an annual basis;

LGFA undertakes a detailed financial assessment on each of its borrowers and meets with all member councils on an annual basis while monitoring council performance throughout the year. LGFA reviews the annual and long-term plans for each council and the annual financial statements. All councils were compliant with LGFA financial covenants as at 30 June 2018 and a copy of each council's borrowing position and compliance with LGFA covenants was provided to LGFA shareholders and non-shareholder guarantors in December 2018. LGFA assigns an internal credit rating to each of its council members as part of the review exercise.

LGFA management met with 47 individual councils over the 12-month period to 30 June 2019.

ii. LGFA will analyse finances at the Council group level where appropriate;

LGFA reviews the financial position of each council on a parent basis except for Auckland Council where LGFA analyses the financial statements at both parent and group level. This is because Auckland Council is the only council to deliver a wide range of its essential services on a group basis.

iii. LGFA will review its debt covenant methodology and assessment of council financial position at group vs parent. LGFA will present its findings to councils at the LGFA Shareholder-Borrower Day, including a comparison of LGFA methodology to that of the credit rating agencies;

LGFA has undertaken an assessment of councils' financial position on a group basis but has yet to present the comparison to the credit rating agency methodologies because both rating agencies (S&P Ratings and Fitch Ratings) had changed their methodology in 2019.

iv. LGFA will work closely with the Department of Internal Affairs (DIA), Office of the Auditor General (OAG) and Local Government New Zealand (LGNZ) on sector and individual council issues;

LGFA staff and directors have met with DIA, OAG, LGNZ, SOLGM, Treasury and the Productivity Commission during the 2018-19 year to discuss sector issues. LGFA participated in sector-wide risk and audit forums.

v. LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market.

LGFA management aim to meet with the management team of each council at least once a year. LGFA also presented to elected officials at councils prior to joining to advise them of their obligations.

LGFA have been involved in discussions between Central Government agencies around Infrastructure Funding and Financing to assist both Central and Local Government with this workstream.

LGFA presented at various capital market conferences and regularly met with banks and investors.

Performance against additional objectives

In addition to the two primary performance objectives, LGFA has eight performance objectives which complement the primary objectives. This section sets out LGFA's performance for the year ended 30 June 2019 against the additional objectives set out in the 2018-19 Statement of Intent.

2.1 Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy set out in section 6 of the SOI;

The LGFA Board has the sole discretion to set the dividend and the policy is to pay a dividend that provides an annual rate of return to shareholders equal to LGFA's cost of funds plus 2%.

On 27 August 2019, the directors of LGFA declared a dividend for the year to 30 June 2019 of $1,155,000 ($0.0462 per share). This is calculated on LGFA's cost of funds for the 2018-19 year of 2.62% plus a 2% margin. This is lower than the previous year dividend of $0.0514 per share.

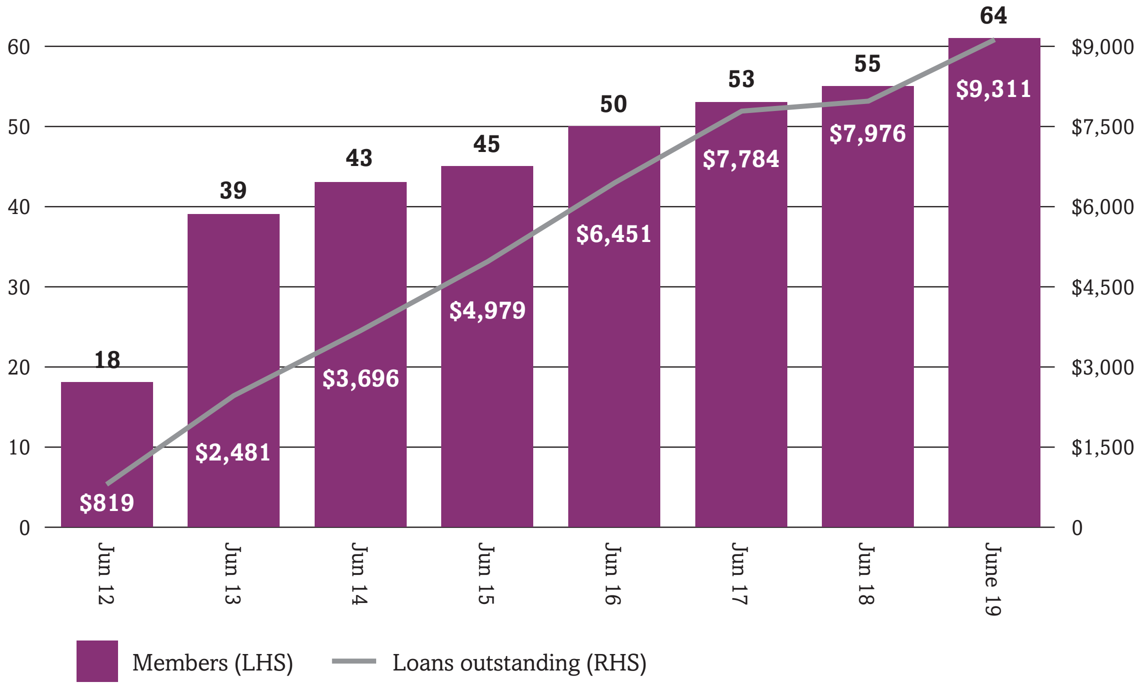
The impact from the current low interest rate environment is that LGFA has a lower cost of funds. While council borrowers benefit from lower borrowing costs, the dividend payment calculated on the above guidance is lower than it would otherwise be in an environment of higher interest rates.

2.2 Provide at least 50% of aggregate long-term debt funding to the Local Government sector.

Eight councils joined LGFA in the 12-month period to June 2019, bringing the total number of council members to 64. Ruapehu District, Waikato Regional, Hawkes Bay Regional and Invercargill City Councils joined as guarantor borrowers while Clutha District, Mackenzie District, Wairoa District and West Coast Regional Councils joined as non-guarantor borrowers.

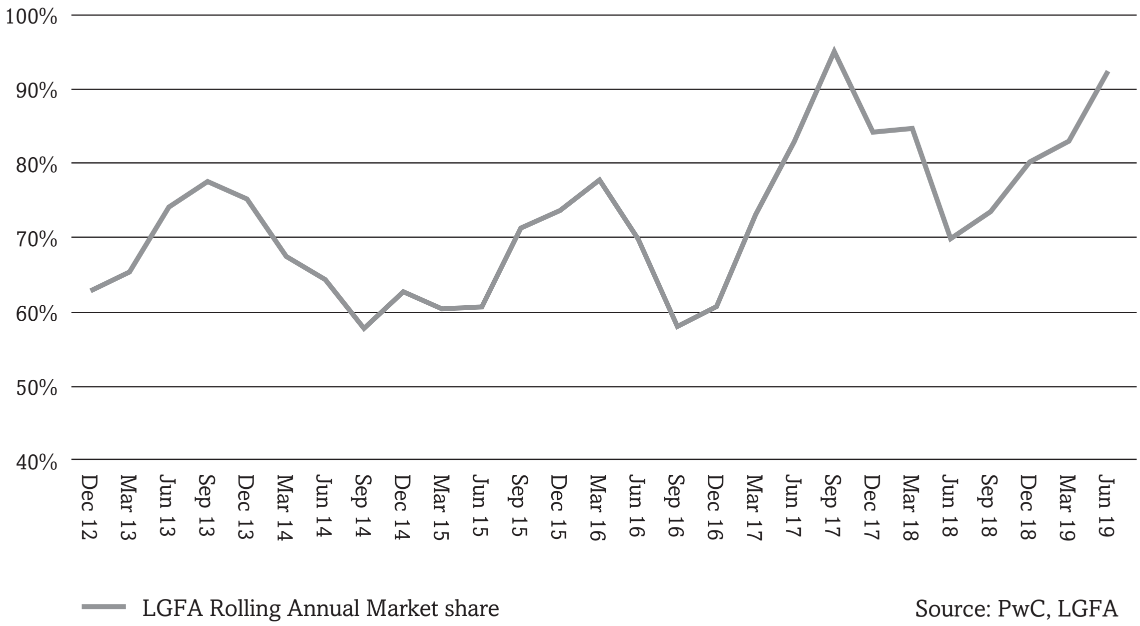
Councils have strongly supported LGFA by joining as members and borrowing from LGFA. As at 30 June 2019, 63 participating councils have so far borrowed from LGFA.

LGFA council members and nominal loans outstanding (NZ$ million)



The following chart shows LGFA's share of new local government long-term debt issuance and is derived from survey data provided by PwC. LGFA's share of long-term borrowing by the sector including non-members of LGFA was 92.3% for the 12-month period to 30 June 2019.

LGFA council members and LGFA loans outstanding



Source: PwC, LGFA

2.3 Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses set out in section 4 of the SOI;

Issuance and operating expenses for the 12-month period to 30 June 2019 were $7.558 million which is $0.175 million below SOI forecast. This variance is the consequence of:

- Issuance and on-lending costs (excluding Approved Issuer Levy payments) at $2.579 million were $0.263 million above budget. Lower fees than budgeted relating to the NZDMO facility were offset by higher NZX costs and legal costs. A larger amount of bond issuance and short-term lending increased these costs relative to budget.
- Operating costs at $3.271 million were $0.076 million below budget due to lower travel, governance and overhead costs, partially offset by additional legal costs relating to LGFA progressing its work on the ability to lend to CCOs.
- Approved Issuer Levy payments of $1.708 million were less than forecast of $2.070 million by $0.362 million due to a lower level of LGFA bonds holdings by offshore investors relative to budget.

2.4 Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015;

LGFA has a Health and Safety Staff Committee and reporting on health and safety issues are made to the LGFA board on a regular basis by the Risk and Compliance Manager. There were no health and safety incidents during the 2018-19 year.

2.5 Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency;

LGFA has credit ratings from S&P Global Ratings (S&P) and Fitch Ratings (Fitch) and meets with both agencies each year. Meetings were held in July 2018 with S&P and in September 2018 with Fitch.

On 4 February 2019, S&P placed LGFA's long-term credit rating on positive outlook, following their decision to place the long-term credit rating of the New Zealand Government on positive outlook the previous week.

On 18 November 2018, Fitch reaffirmed LGFA's long-term credit rating as AA+ and classified LGFA as a corporate mission, government related entity (GRE) under its GRE rating criteria. Fitch equalises LGFA's ratings with those of the New Zealand Government.

Both the S&P and Fitch ratings reports are available on LGFA's website (www.lgfa.co.nz/for-investors/ratings).

Both the S&P and Fitch ratings are the same as, and are capped by, New Zealand Government's credit ratings.

2.6 Achieve the Financial Forecasts (excluding the impact of AIL) set out in section 4 of the SOI;

For the 12-month period to 30 June 2019, Net Interest Income was $0.151 million above budget while expenses were $0.175 million below budget. Net Operating Gain of $11.201 million was $0.326 million above budget but $0.601 million (5.1%) below the Net Operating Gain for the equivalent prior period.

In $ million	30 June 2019 Actual	30 June 2019 SOI Forecast
Net interest revenue	18.76	18.6
Issuance and operating expenses excluding Approved Issuer Levy (AIL)	5.85	5.67
Approved Issuer Levy (AIL)	1.71	2.1
Net Operating Gain	11.2	10.9

2.7 Meet or exceed the Performance Targets outlined in section 5 of the SOI.

LGFA achieved one of its four performance targets in the 12-month period to 30 June 2019

Issuance and operating expenses (excluding AIL) exceeded budget by $0.180 million for the 12-month period to 30 June 2019. Higher legal and NZX listing costs associated with larger bond issuance than forecast (due to higher council lending than forecast) have contributed to these costs exceeding budget.

LGFA changed its base lending margin for long-dated lending to a standard 10 bps margin regardless of the borrowing term from 1 July 2018. The average base margin target of 10 bps is not achieved by 0.1 bps when combined with the long-dated lending margin across the 12-month period to 30 June 2019 with short-dated lending outstanding as at 30 June 2019. The short-dated lending margins are higher than 10 bps because it is an all-in borrowing margin over BKBM (including the LGFA cost of borrowing).

LGFA have been unable to improve estimated interest cost savings for councils borrowing through LGFA compared to councils borrowing in their own name compared to the levels at the start of the financial year. This objective remains difficult to achieve as the spread between what councils borrow at over LGFA borrowing cost will naturally narrow as the borrowing term approaches maturity. The record volume of council borrowing has led to LGFA issuing a record amount of bonds in the financial year so while LGFA borrowing spreads have narrowed, they have not narrowed as much as the spread for other borrowers.

LGFA's volume of council lending is above the SOI forecast by $1.157 billion due to both the larger amount of both short-term and long-term borrowing by councils through LGFA.

Performance targets

2018-19 performance targets	Target	Result for 12-month period to 30 June 2019	Outcome
The average margin above LGFA's cost of funds charged to the highest rated Participating Local Authorities for the period	<= 0.10%	0.101% (0.10% for long-term and 0.106% for short-term)	✗ Due to increase in short-term lending where the margin includes LGFA cost of borrowing.
LGFA's annual issuance and operating expenses (excluding AIL) for the period	<=$5.67 million	$5.85 million	✗ Due to additional NZX listing and legal fees associated with larger than forecast bond issuance and council lending.
Total lending to Participating Local Authorities	>= $8,105 million	$9.262 billion	✓
LGFA will demonstrate the savings to council borrowers on a relative basis to other sources of financing.	Improvement since prior year end relative to borrowing by councils directly. Council borrowing spreads as at June 2018: 2019 maturity 11 bps 2021 maturity 19 bps 2025 maturity 10 bps	2019: 2019 maturity n/a 2021 maturity 9 bps 2025 maturity 7 bps	✗ Due to a lack of single name issuance by councils and record issuance of LGFA bonds, these factors have created a supply-demand imbalance and reduced savings to councils.

2.8 Comply with its Treasury Policy, as approved by the Board.

There was one compliance breach during the 12-month period to 30 June 2019 where a council had inadvertently breached the following Treasury Policy limit

> "To minimise concentration risk, the LGFA will require that no more than the greater of $NZD100 million or 33% of a council's borrowings from the LGFA will mature in any 12-month period."

The limit breach was discovered and then escalated to both the LGFA Board and Shareholder Council in May 2019. The breach occurred because a council had borrowed 100% of its financing through LGFA in short-dated loans (less than one year) and the LGFA management process had not picked up short-dated borrowing within this limit. This limit when established in 2012 was originally intended to monitor long-dated borrowing. It should be noted that the limit breach was the not the fault of the council. LGFA worked with the council to extend some of their short-term borrowing into long-dated funding to resolve the breach in June 2019.

Financial statements
Taukī pūtea

In the opinion of the directors of the New Zealand Local Government Funding Agency Limited, the financial statements and notes on pages 49 to 72:

- Comply with New Zealand generally accepted accounting practice (GAAP), New Zealand equivalents to International Financial Reporting Standards (NZIFRS) as appropriate for profit-oriented entities and give a true and fair view of the financial position of the Company as at 30 June 2019, and
- Have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.
- The directors believe that proper accounting records have been kept which enables, with reasonable accuracy, the determination of the financial position of the Company and facilitates the compliance of the financial statements with the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

The directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

For and on behalf of the Board of Directors

Craig Stobo
Chair, LGFA Board
30 August 2019

Linda Robertson
Chair, Audit and Risk Committee
30 August 2019

Statement of comprehensive income

For the year ended ended 30 June 2019 in $000s

	Note	Year ended 2019	Year ended 2018
Interest income			
Cash and cash equivalents		490	627
Marketable securities		4,118	3,116
Deposits		3,887	5,475
Derivatives		104,568	105,229
Loans to local government		248,015	228,381
Fair value hedge ineffectiveness	2c	-	-
Total interest income		**361,078**	**342,828**
Interest expense			
Bills		9,519	8,401
Bond repurchase transactions		358	240
Bonds		328,907	311,944
Borrower notes		3,535	3,278
Total interest expense		**342,319**	**323,863**
Net interest income		**18,759**	**18,965**
Operating expenses			
Issuance and on-lending expenses	3	4,287	4,182
Operating expenses	4	3,271	2,981
Total expenses		**7,558**	**7,163**
Net operating profit		**11,201**	**11,802**
Total comprehensive income		**11,201**	**11,802**

Statement of changes in equity

For the year ended 30 June 2019 in $000s

	Note	Share capital	Retained earnings	Total equity
Equity as at 30 June 2017		**25,000**	**28,878**	**53,878**
Net operating profit			11,802	11,802
Total comprehensive income for the year			11,802	11,802
Transactions with owners			-	-
Dividend paid on 20 September 2017			(1,390)	(1,390)
Equity as at 30 June 2018		**25,000**	**39,290**	**64,290**
Adjustment on adoption of NZ IFRS 9			(57)	(57)
Net operating profit			11,201	11,201
Total comprehensive income for the year			11,201	11,201
Transactions with owners			-	-
Dividend paid on 7 September 2018			(1,285)	(1,285)
Equity as at 30 June 2019	12	**25,000**	**49,149**	**74,149**

Statement of financial position

As at 30 June 2019 in $000s

	Note	2019	2018
Assets			
Financial assets			
Cash and bank balances		56,198	50,281
Marketable securities		255,715	231,420
Deposits		136,216	201,114
Derivatives in gain	2d	622,559	375,371
Loans to local government	5	9,310,617	7,975,728
Non-financial assets			
Prepayments		570	561
Other assets	14	457	609
Total assets		**10,382,332**	**8,835,084**
Equity			
Share capital		25,000	25,000
Retained earnings		49,149	39,290
Total equity		**74,149**	**64,290**
Liabilities			
Financial liabilities			
Payables and provisions		563	444
Bills	6	503,225	473,421
Bond repurchases	9	24,625	6,183
Derivatives in loss	2d	12,926	54,286
Bonds	7	9,612,394	8,101,004
Borrower notes	8	154,168	135,108
Non-financial liabilities			
Accrued expenses		282	348
Total liabilities		**10,308,183**	**8,770,794**
Total equity and liabilities		**10,382,332**	**8,835,084**

Statement of cash flows

For the year ended 30 June 2019 in $000s

	Note	Year Ended 2019	Year Ended 2018
Cash Flow from Operating Activities			
Cash applied to loans to local government	11	(1,330,360)	(191,878)
Interest paid on bonds issued		(385,850)	(356,416)
Interest paid on bills issued		(9,516)	(8,400)
Interest paid on borrower notes		(2,874)	(2,648)
Interest paid on bond repurchases		(341)	(239)
Interest received from loans to local government		244,079	228,463
Interest received from cash & cash equivalents		490	627
Interest received from marketable securities		3,742	3,453
Interest received from deposits		4,786	5,310
Net interest on derivatives		160,664	149,898
Payments to suppliers and employees		(7,420)	(7,066)
Net cash flow from operating activities	**10**	**(1,322,601)**	**(178,896)**
Cashflow from Investing Activities			
Sale/(purchase of) marketable securities		(24,513)	(104,115)
Sale/(purchase of) deposits		64,000	(51,000)
Net Cashflow from Investing Activities		**39,487**	**(155,115)**
Cashflow from Financing Activities			
Cash proceeds from bonds issued	11	1,255,337	221,120
Cash proceeds from bills issued		29,802	125,241
Cash proceeds from/(applied to) bond repurchases		18,425	(5,778)
Cash proceeds from borrower notes		18,400	2,863
Dividends paid		(1,285)	(1,390)
Cash applied to derivatives		(31,647)	(7,683)
Net Cashflow from Financing Activities		**1,289,032**	**334,373**
Net (Decrease) / Increase in Cash		**5,918**	**362**
Cash, Cash Equivalents and Bank overdraft at beginning of year		50,281	49,919
Cash, Cash Equivalents and Bank overdraft at end of year		**56,198**	**50,281**

1 Statement of accounting policies

a. Reporting entity

The New Zealand Local Government Funding Agency Limited (LGFA) is a company registered under the Companies Act 1993 and is subject to the requirements of the Local Government Act 2002.

LGFA is controlled by participating local authorities and is a council-controlled organisation as defined under section 6 of the Local Government Act 2002. LGFA is a limited liability company incorporated and domiciled in New Zealand.

The primary objective of LGFA is to optimise the debt funding terms and conditions for participating local authorities.

The registered address of LGFA is Level 8, City Chambers, 142 Featherston Street, Wellington Central, Wellington 6011.

The financial statements are as at and for the year ended 30 June 2019.

These financial statements were authorised for issue by the Directors on 30 August 2018.

b. Statement of compliance

LGFA is an FMC reporting entity under the Financial Markets Conduct Act 2013 (FMCA). These financial statements have been prepared in accordance with that Act and the Financial Reporting Act 2013. LGFA's bonds are quoted on the NZX Debt Market.

LGFA is a profit orientated entity as defined under the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and they comply with NZ IFRS and other applicable Financial Reporting Standard, as appropriate for Tier 1 for-profit entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

c. Basis of preparation

Measurement base

The financial statements have been prepared on a historical cost basis modified by the revaluation of certain assets and liabilities.

The financial statements are prepared on an accrual basis.

Functional and presentation currency

The financial statements are presented in New Zealand dollars rounded to the nearest thousand, unless separately identified. The functional currency of LGFA is New Zealand dollars.

Foreign currency conversions

Transactions denominated in foreign currency are translated into New Zealand dollars using exchange rates applied on the trade date of the transaction.

Changes in accounting policies

NZ IFRS 9. New Zealand Equivalent to International Financial Reporting Standard 9. Financial Instruments.

NZ IFRS 9 (2014) is effective for the fiscal year commencing 1 July 2018.

NZ IFRS 9 replaces NZ IAS 39 Financial Instruments: Recognition and Measurement and sets out the requirements for hedge accounting and impairment for financial assets and liabilities. LGFA early adopted NZ IFRS 9 (2010) for the classification and measurement of financial instruments at commencement of business in 2012.

LGFA has elected to apply NZ IFRS 9 (2014) on a retrospective basis. Comparative information has not been restated as there has not been a material impact. Instead, the impact of adopting the new standard is reflected in opening equity on 1 July 2018.

Hedge accounting

There has been no change to accounting policy for hedge accounting as LGFA's current fair value hedge accounting meets the requirements of NZ IFRS 9.

Impairment

NZ IFRS 9 prescribes an expected credit loss impairment model which replaces the incurred loss impairment model in NZ IAS 39. The expected credit loss model requires LGFA to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

LGFA has not previously incurred any credit losses under the incurred loss impairment model (NZ IAS 39) and the introduction of the expected credit loss model (NZ IFRS 9) has not had a material impact on the measurement of LGFA's financial assets.

The changes to LGFA's accounting policies for expected credit losses on financial assets are set out below.

Methodology to determine expected credit losses

As at 30 June 2019, LGFA deemed that there had been no significant increase in credit risk since initial recognition for any financial asset and calculated the loss allowance for these instruments at an amount equal to 12-month expected credit losses, using the estimated probability of default multiplied by the estimated recovery rate.

The estimated probability of default is based on the Standard & Poor's' (S&P) Annual Global Default Study. Individual securities were assigned a probability of default over the 12-month period year based on their S&P, Fitch or Moody's credit rating. Unrated local authorities were assigned a shadow credit rating of A+, based on all complying with LGFA's financial covenants as at 31 December 2018, and S&P rating methodology where all New Zealand local authorities who have a credit rating from S&P are rated between AA and A+.

The estimated recovery rate is assigned using the S&P recovery rating scale. All local authorities were assigned a category of 1+, based on LGFA holding security over a council's rates which, in the event of a default, would give a statutory manager the legal right to impose a targeted rate to recover the principal and interest owing. All other financial assets were assigned a recovery rate based on the industry category and average S&P recovery rates for the security type.

The Treasury (New Zealand Debt Management) was assigned a category of 1+ for derivatives in gain.

Early adoption standards and interpretations

LGFA has not early adopted any standards.

New standards adopted

NZ IFRS 15. Revenue from Contracts with Customers.

NZ IFRS 15 has been adopted from 1 July 2018. There has been no impact on the financial statements.

Standards not yet adopted

LGFA does not consider any standards or interpretations in issue but not yet effective to have a significant impact on its financial statements.

NZ IFRS 16 Leases

NZ IFRS 16 becomes effective from 1 July 2019 and will not have a material impact on the financial statements.

Change in presentation. Statement of financial position

LGFA has changed the order of presentation of assets and liabilities in the Statement of financial position to reflect the order of liquidity for financial assets and liabilities. The change in presentation has been applied to both the current reporting period as well as associated comparatives.

d. Financial instruments

Financial assets

Financial assets, other than derivatives, are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents include cash on hand; cash in transit, bank accounts and deposits with an original maturity of no more than three months.

Purchases and sales of all financial assets are accounted for at trade date.

At each balance date, an expected credit loss assessment is performed for all financial assets and is calculated as either:

- Credit losses that may arise from default events that are possible within the next 12 months, where no significant increase in credit risk has arisen since acquisition of the asset, or
- Credit losses that may arise from default events that are possible over the expected life of the financial asset, where a significant increase in credit risk has arisen since acquisition of the asset.

Impairment losses on financial assets will ordinarily be recognised on initial recognition as a 12-month expected loss allowance and move to a lifetime expected loss allowance if there is a significant deterioration in credit risk since acquisition.

Financial liabilities

Financial liabilities, other than derivatives, are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Derivatives

Derivative financial instruments are recognised both initially and subsequently at fair value. They are reported as either assets or liabilities depending on whether the derivative is in a net gain or net loss position respectively.

Fair value hedge

Where a derivative qualifies as a hedge of the exposure to changes in fair value of an asset or liability (fair value hedge) any gain or loss on the derivative is recognised in profit and loss together with any changes in the fair value of the hedged asset or liability.

The carrying amount of the hedged item is adjusted by the fair value gain or loss on the hedged item in respect of the risk being hedged. Effective parts of the hedge are recognised in the same area of profit and loss as the hedged item.

e. Other assets

Property, plant and equipment (PPE)

Items of property, plant and equipment are initially recorded at cost.

Depreciation is charged on a straight-line basis at rates calculated to allocate the cost or valuation of an item of property, plant and equipment, less any estimated residual value, over its remaining useful life.

Intangible Assets

Intangible assets comprise software and project costs incurred for the implementation of the treasury management system. Capitalised computer software costs are amortised on a straight-line basis over the estimated useful life of the software (three to seven years). Costs associated with maintaining computer software are recognised as expenses.

f. Other liabilities

Employee entitlements

Employee entitlements to salaries and wages, annual leave and other similar benefits are recognised in the profit and loss when they accrue to employees.

g. Revenue and expenses

Revenue

Interest income

Interest income is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this rate to the principal outstanding to determine interest income each period.

Expenses

Expenses are recognised in the period to which they relate.

Interest expense

Interest expense is accrued using the effective interest rate method.

The effective interest rate exactly discounts estimated future cash payments through the expected life of the financial liability to that liability's net carrying amount. The method applies this rate to the principal outstanding to determine interest expense each period.

Income tax

LGFA is exempt from income tax under Section 14 of the Local Government Borrowing Act 2011.

Goods and services tax

All items in the financial statements are presented exclusive of goods and service tax (GST), except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

h. Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

i. Segment reporting

LGFA operates in one segment being funding of participating local authorities in New Zealand.

j. Judgements and estimations

The preparation of these financial statements requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. For example, the present value of large cash flows that are predicted to occur a long time into the future depends critically on judgements regarding future cash flows, including inflation assumptions and the risk-free discount rate used to calculate present values. Refer note 2a for fair value determination for financial instruments.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Where these judgements significantly affect the amounts recognised in the financial statements they are described below and in the following notes.

2 Analysis of financial assets and financial liabilities

a. Categories of financial instruments

Derivative financial instruments are the only instruments recognised in the statement of financial position at fair value.

Derivative financial instruments are valued under level 2 of the following hierarchy.

- *Level 1* – Quoted market prices: Fair value based on quoted prices in active markets for identical assets or liabilities.
- *Level 2* – Valuation techniques using observable market inputs: Fair value based on a valuation technique using other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- *Level 3* – Valuation techniques using significant non-observable market inputs: Fair value based on a valuation technique using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of derivative financial instruments is determined using a discounted cash flow analysis. Interest rates represent the most significant assumption used in valuing derivative financial instruments. The interest rates used to discount estimated cash flows are based on the New Zealand dollar swap curves at the reporting date.

Financial instruments recognised in the statement of financial position at amortised cost

Fair values of financial instruments not recognised in the statement of financial position at fair value are determined for note disclosure as follows:

Cash and bank, trade and other receivables, trade and other payables

The carrying value of cash and bank, trade and other receivables, trade and other payables approximate their fair value as they are short-term instruments.

Marketable securities and bonds

The fair value of bonds and marketable securities are determined using the quoted price for the instrument (Fair value hierarchy level 1).

Deposits

The fair value for deposits is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on current market interest rates (Fair value hierarchy level 2).

Loans to local government

The fair value of loans to local government authorities is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on LGFA bond yields at the reporting date plus an appropriate credit spread to reflect the counterparty's credit risk (Fair value hierarchy level 2).

Borrower notes

The fair value of borrower notes is determined using a discounted cash flow analysis. The interest rates used to discount the estimated cash flows are based on LGFA bond yields at the reporting date (Fair value hierarchy level 2).

Fair value of financial assets and financial liabilities

The fair value of financial assets and financial liabilities, together with the carrying amounts shown in the statement of financial position, are shown in the table below.

As at 30 June 2019 in $000s	Financial liabilities at amortised cost	Financial assets at amortised cost	Financial assets measured at fair value in accordance with NZ IFRS 9	Fair value
Financial assets				
Cash and bank balances	-	56,198	-	56,198
Trade and other receivables	-	-	-	-
Marketable securities	-	255,715	-	257,124
Deposits	-	136,216	-	137,355
Derivatives	-	-	622,559	622,559
Loans to local government	-	9,310,617	-	9,640,053
	-	**9,758,746**	**622,559**	**10,713,289**
Financial liabilities				
Payables and provisions	563	-	-	563
Bills	503,225	-	-	503,451
Bond repurchases	24,625	-	-	24,625
Derivatives	-	-	12,926	12,926
Bonds	9,612,394	-	-	9,727,610
Borrower notes	154,168	-	-	155,935
	10,294,975	**-**	**12,926**	**10,425,110**

As at 30 June 2018 in $000s	Financial liabilities at amortised cost	Financial assets at amortised cost	Financial assets measured at fair value in accordance with NZ IFRS 9	Fair value
Financial assets				
Cash and bank balances	-	50,281	-	50,281
Trade and other receivables	-	-	-	-
Marketable securities	-	231,420	-	225,570
Deposits	-	201,114	-	202,061
Derivatives	-	-	375,371	375,371
Loans to local government	-	7,975,728	-	8,224,666
	-	**8,458,543**	**375,371**	**9,077,949**
Financial liabilities				
Payables and provisions	444	-	-	444
Bills	473,421	-	-	473,467
Bond repurchases	6,183	-	-	6,183
Derivatives	-	-	54,286	54,286
Bonds	8,101,004	-	-	8,172,546
Borrower notes	135,108	-	-	134,956
	8,716,160	**-**	**54,286**	**8,841,882**

b. Financial risk management

The Board of Directors has overall responsibility for carrying out the business of LGFA in accordance with risk management policies, including those relating to investing, lending, borrowing and treasury activities. The use of financial instruments exposes LGFA to financial risks, the most significant being market risk, credit risk, and liquidity risk. The exposure and management of these risks is outlined below.

Market risk

Market risk is the risk that changes in market prices will affect LGFA's income or value of financial instruments. The most significant market risk which LGFA is exposed to is interest rate risk. LGFA has no significant exposure to foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that future cash flows or the fair value of financial instruments will decrease because of a change in market interest rates. LGFA is exposed to interest rate risk through its interest-bearing financial assets and liabilities.

Interest rate risk is managed using Value at Risk (VaR) and Partial Differential Hedge (PDH) limits to mitigate the potential change in value of the balance sheet due to changes in interest rates. PDH risk measures the sensitivity of a portfolio to a one basis point change in underlying interest rates, whereas VaR measures the expected loss for a given period with a given confidence.

The table below indicates the earliest period in which the interest-bearing financial instruments reprice.

As at 30 June 2019 in $000s	Face value	Less than 6 months	6 months - 1 year	1-2 years	2-5 years	Over 5 years
Financial assets						
Cash and bank Balances	56,198	56,198	-	-	-	-
Marketable securities	253,972	203,850	40,122	10,000	-	-
Deposits	135,000	55,000	80,000	-	-	-
Loans to local government	9,262,858	8,030,980	16,520	452,700	284,700	477,958
Financial liabilities						
Bills	(505,000)	(480,000)	(25,000)	-	-	-
Bond repurchases	(24,604)	(24,604)	-	-	-	-
Derivatives	-	(7,715,000)	938,750	1,027,500	2,828,750	2,920,000
Bonds	(8,935,000)	-	(980,000)	(1,450,000)	(3,110,000)	(3,395,000)
Borrower notes	(142,027)	(122,333)	(248)	(7,243)	(4,555)	(7,647)
Total	**101,398**	**4,091**	**70,144**	**32,957**	**(1,105)**	**(4,689)**

As at 30 June 2018 in $000s	Face value	Less than 6 months	6 months - 1 year	1-2 years	2-5 years	Over 5 years
Financial assets						
Cash and bank Balances	50,281	50,281	-	-	-	-
Marketable securities	226,593	152,196	26,897	27,500	20,000	-
Deposits	199,000	130,000	69,000	-	-	-
Loans to local government	7,927,441	6,709,699	300,500	12,500	568,000	336,742
Financial liabilities						
Bills	(475,000)	(475,000)	-	-	-	-
Bond repurchases						
Derivatives	-	(6,454,200)	936,200	938,750	2,516,250	2,063,000
Bonds	(7,719,000)	-	(1,240,000)	(980,000)	(3,119,000)	(2,380,000)
Borrower notes	(123,062)	(103,690)	(4,696)	(200)	(9,088)	(5,388)
Total	**86,253**	**9,286**	**87,901**	**(1,450)**	**(23,838)**	**14,354**

Interest rate sensitivity

Changes in interest rates impact the fair value of fixed rate assets and liabilities, cash flows on floating rate assets and liabilities, and the fair value and cash flows of interest rate swaps. A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown in the following table. This analysis assumes that all other variables remain constant.

For the period ending 30 June in $000s	2019 100 bps increase $000s	2019 100 bps decrease $000s	2018 100 bps increase $000s	2018 100 bps decrease $000s
Fair value sensitivity analysis				
Fixed rate assets	-	-	-	-
Fixed rate liabilities	(369,387)	376,054	276,613	(281,357)
Derivative financial instruments	369,387	(376,054)	(276,613)	281,357
	-	-	-	-
Cash flow sensitivity analysis				
Variable rate assets	76,708	(76,708)	64,806	(64,806)
Variable rate liabilities	(1,227)	1,227	(1,037)	1,037
Derivative financial instruments	(79,320)	79,320	(66,432)	66,432
	(3,839)	**3,839**	**(2,663)**	**2,663**

Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. LGFA is exposed to credit risk through its lending and investing activities.

Credit risk associated with lending activities is managed by requiring local authorities that borrow from LGFA to meet specific credit lending criteria and to provide security against the borrowing. The LGFA's credit risk framework restricts credit exposures to specific counterparties.

Credit risk associated with investing activities, excluding on-lending, is managed by only investing with New Zealand Government Agencies or counter-parties that meet a minimum credit rating of A (Standard & Poor's equivalent). The LGFA's credit risk framework limits concentrations of credit risk for any single counterparty.

Exposure to credit risk

LGFA monitors the concentration of credit risk by the type of counterparty. The carrying value and maximum exposure to credit risk at the reporting date, before taking account of collateral or other credit enhancements, for significant counterparty types are shown in the table below.

As at 30 June 2019 in $000s	NZ government agencies	NZ local authorities	NZ registered banks	Other counter-parties	Total carrying value
Financial assets					
Cash and bank balances	55,679	-	520	-	56,198
Trade and other receivables	-	-	-	-	-
Marketable securities	40,962	48,668	135,397	30,488	255,715
Deposits	-	-	136,216	-	136,216
Derivatives	609,632	-	-	-	609,632
Loans to local government	-	9,310,617	-	-	9,310,617
	706,273	**9,359,285**	**272,333**	**30,488**	**10,368,378**

As at 30 June 2018 in $000s	NZ government agencies	NZ local authorities	NZ registered banks	Other counter-parties	Total carrying value
Financial assets					
Cash and bank balances	49,773	-	508	-	50,281
Trade and other receivables	-	-	-	-	-
Marketable securities	60,988	43,807	109,544	17,081	231,420
Deposits	-	-	201,114	-	201,114
Derivatives	321,085	-	-	-	321,085
Loans to local government	-	7,975,728	-	-	7,975,728
	431,846	**8,019,535**	**311,166**	**17,081**	**8,779,628**

Collateral and credit enhancements

LGFA holds collateral against borrowings from local authorities in the form of debenture securities and guarantees.

Credit quality of financial assets

All financial assets are neither past due nor impaired. The carrying value of the financial assets is expected to be recoverable.

Liquidity risk

Liquidity risk is the risk that LGFA will encounter difficulty in meeting the obligations of its financial liabilities. LGFA manages liquidity risk by holding cash and a portfolio of liquid assets to meet obligations when they fall due. LGFA is required by policy to maintain sufficient liquidity (comprising a committed liquidity facility and holdings of cash and liquid investments) to meet all operating and funding commitments over a rolling 12-month period.

The Treasury (New Zealand Debt Management) provides a committed liquidity facility that LGFA can draw upon to meet any exceptional and temporary liquidity shortfall. As at 30 June 2019, the undrawn committed liquidity facility was $700 million (2018: $600 million).

Contractual cash flows of financial instruments.

The contractual cash flows associated with financial assets and liabilities are shown in the table below.

As at 30 June 2019 in $000s	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows	Total carrying value
Financial assets							
Cash and bank balances	56,198	-	-	-	-	56,198	56,198
Trade and other receivables							
Marketable securities	-	127,363	52,615	80,815	-	260,793	255,715
Deposits	-	-	138,543	-	-	138,543	136,216
Loans to local government	-	279,328	936,604	5,556,479	3,583,112	10,355,524	9,310,617
Financial liabilities							
Payables and provisions	(563)	-	-	-	-	(563)	(563)
Bills	-	(330,000)	(175,000)	-	-	(505,000)	(503,225)
Bond repurchases	-	(24,628)	-	-	-	(24,628)	(24,625)
Bonds	-	-	(1,338,293)	(5,495,770)	(3,838,283)	(10,672,345)	(9,612,394)
Borrower notes	-	(332)	(10,820)	(92,580)	(65,981)	(169,713)	(154,168)
Derivatives	-	(42,732)	183,130	358,542	154,427	653,366	609,632
	55,635	**8,998**	**(213,220)**	**407,487**	**(166,724)**	**92,176**	**73,403**

As at 30 June 2018 in $000s	On demand	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total contractual cash flows	Total carrying value
Financial assets							
Cash and bank balances	50,281	-	-	-	-	50,281	50,281
Trade and other receivables	-	-	-	-	-	-	-
Marketable securities	-	114,836	59,305	61,268	-	235,409	231,420
Deposits	-	50,880	152,905	-	-	203,786	201,114
Loans to local government	-	236,487	1,460,213	4,447,506	2,859,147	9,003,353	7,975,728
Financial liabilities							
Payables and provisions	(444)	-	-	-	-	(444)	(444)
Bills	-	(375,000)	(100,000)	-	-	(475,000)	(473,421)
Bond repurchases	-	(6,184)	-	-	-	(6,184)	(6,183)
Bonds	-	(31,000)	(1,558,213)	(4,981,825)	(2,747,625)	(9,318,663)	(7,878,765)
Borrower notes	-	-	(23,639)	(74,147)	(52,889)	(150,675)	(135,108)
Derivatives	-	(15,961)	152,202	333,394	106,640	576,275	321,085
	49,837	**(25,942)**	**142,774**	**(213,803)**	**165,273**	**118,138**	**285,707**

c. Hedge accounting

LGFA is exposed to interest rate risk from fixed rate borrowing and variable rate lending to councils. LGFA uses interest rate swaps to manage this interest rate risk. For hedge accounting purposes, LGFA has designated these swaps in fair value relationships to its fixed rate borrowing and council loans.

The gain or loss on the hedging instrument and the hedged item attributable to the hedged risk for fair value hedge relationships is shown in the table below.

For the year ended ended 30 June in $000s	2019 Gain/(loss)	2018 Gain/(loss)
Hedging instruments – interest rate swaps	312,996	58,487
Hedged items attributable to the hedged risk – fixed rate bonds	(312,996)	(58,487)
Ineffectiveness recognised in profit or loss from fair value hedges	-	-

The gains or losses on the hedging instrument (interest rate swaps) and the hedged item (bonds or loans) are mapped to the same fair value account. For this reason, the statement of comprehensive income will only report any ineffectiveness arising from the fair value hedge.

d. Offsetting

NZ IAS 32: Financial Instruments Presentation allows financial assets and liabilities to be offset only when there is a current legally enforceable right to set off the amounts and there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously. LGFA does not offset any amounts. The amounts subject to an enforceable master netting arrangement or similar agreement that are not offset in the statement of financial position are detailed in the table below.

As at 30 June 2019 in $000s	Derivative assets	Derivative liabilities
Gross amounts	622,559	12,926
Amounts offset	-	-
Carrying amounts	622,559	12,926
Amounts that don't qualify for offsetting	-	-
Financial assets and liabilities	(12,926)	(12,926)
Collateral	-	-
Net Amount	**609,633**	**-**

As at 30 June 2018 in $000s	Derivative assets	Derivative liabilities
Gross amounts	375,371	54,286
Amounts offset	-	-
Carrying amounts	375,371	54,286
Amounts that don’t qualify for offsetting	-	-
Financial assets and liabilities	(54,286)	(54,286)
Collateral	-	-
Net Amount	**321,085**	**-**

3 Issuance and on-lending expenses

Issuance and on-lending expenses are those costs that are incurred as a necessary expense to facilitate the ongoing issuance of LGFA debt securities.

For the year ended 30 June in $000s	2019	2018
NZDM facility fee	644	706
NZX	455	333
Rating agency fees	596	575
Legal fees for issuance	493	233
Regulatory, registry, other fees	147	106
Trustee fees	100	100
Approved issuer levy[1]	1,708	1,975
Information Services	144	154
	4,287	**4,182**

1. The amount of Approved Issuer Levy is a function of the number of the offshore holders of certain LGFA bond maturities.

4 Operating expenses

Operating expenses are all other expenses that are not classified as 'Issuance and on-lending expenses.'

For the year ended 30 June in $000s	2019	2018
Consultants	205	188
Directors fees	377	377
Insurance	65	60
Legal fees	84	88
Other expenses	796	743
Auditors' remuneration		
Statutory audit	96	87
Advisory services	-	-
Personnel	1,648	1,418
Recruitment	-	20
	3,271	**2,981**

5 Loans to local government

As at 30 June in $000s	2019 Short-term loans	2019 Loans	2018 Short-term loans	2018 Loans
Ashburton District Council	10,025	27,465	5,015	25,603
Auckland Council	-	2,422,898	-	2,101,357
Bay of Plenty Regional Council	90,974	50,631	-	-
Buller District Council	-	20,013	-	20,014
Canterbury Regional Council	6,006	32,108	-	30,103
Central Hawkes Bay District Council	-	2,027	-	2,027
Christchurch City Council	27,110	1,721,759	85,273	1,573,566
Clutha District Council	-	5,020	-	-
Far North District Council	-	40,149	-	40,130
Gisborne District Council	5,982	42,819	-	37,275
Gore District Council	6,011	13,059	6,014	11,064
Greater Wellington Regional Council	-	401,676	-	306,302
Grey District Council	4,978	15,305	-	20,446
Hamilton City Council	-	356,737	-	366,483
Hastings District Council	-	105,985	1,957	75,280
Hauraki District Council	-	38,192	-	38,156
Hawkes Bay Regional Council	-	2,509	-	-
Horizons Regional Council	-	35,182	-	20,035
Horowhenua District Council	11,006	85,780	6,008	72,868
Hurunui District Council	-	32,140	-	23,098
Hutt City Council	-	179,746	4,996	152,802
Invercargill City Council	25,093	30,095	-	-
Kaipara District Council	999	44,189	4,925	40,174
Kapiti Coast District Council	-	210,804	-	205,754
Manawatu District Council	-	68,229	-	61,180
Marlborough District Council	26,545	73,252	17,297	63,237
Masterton District Council	-	50,248	-	52,234
Matamata-Piako District Council	2,546	21,597	-	27,599
Nelson City Council	-	65,264	-	60,239
New Plymouth District Council	-	99,535	-	74,324
Northland Regional Council	-	9,728	-	8,634
Opotiki District Council	-	5,125	-	5,163
Otorohanga District Council	-	3,048	-	6,120
Palmerston North City Council	10,024	104,439	10,028	82,317

5 Loans to local government (cont)

As at 30 June in $000s	2019 Short-term loans	2019 Loans	2018 Short-term loans	2018 Loans
Porirua City Council	-	86,894	-	61,754
Queenstown Lakes District Council	20,076	85,644	10,096	75,954
Rangitikei District Council	-	3,013	-	-
Rotorua District Council	2,817	180,186	-	150,266
Ruapehu District Council	3,027	13,070	-	-
Selwyn District Council	5,097	10,053	-	15,021
South Taranaki District Council	-	80,383	-	62,278
South Wairarapa District Council	-	20,023	-	17,629
Stratford District Council	1,003	13,570	-	4,513
Tararua District Council	4,020	21,104	2,011	15,064
Tasman District Council	25,380	127,172	10,007	109,006
Taupo District Council	-	115,452	-	125,430
Tauranga City Council	9,963	432,609	-	362,308
Thames-Coromandel District Council	-	51,244	-	45,175
Timaru District Council	17,568	67,313	12,524	67,331
Upper Hutt City Council	4,975	38,174	4,976	31,638
Waikato District Council	-	80,400	-	80,382
Waikato Regional Council	-	22,120	-	-
Waimakariri District Council	10,010	135,872	20,024	105,818
Waipa District Council	-	15,013	-	13,016
Wairoa District Council	1,514	3,519	-	-
Waitomo District Council	10,055	30,093	10,066	25,086
Wellington City Council	-	533,151	-	395,384
West Coast Regional Council	1,985	5,608	-	-
Western Bay Of Plenty District Council	-	90,478	-	105,426
Westland District Council	-	18,688	2,998	14,361
Whakatane District Council	5,008	57,298	6,011	48,220
Whanganui District Council	-	73,408	5,005	73,367
Whangarei District Council	9,976	122,543	9,971	132,516
	359,771	**8,950,846**	**235,202**	**7,740,526**

As at 30 June 2019, $428.2 million of loans to local government are due to mature within 12 months. This comprises all short-term loans and $68.4 million of loans.

6 Bills on issue

As at 30 June 2019 in $000's	Face value	Unamortised premium	Accrued interest	Total
4 July 2019	25,000	-	(4)	24,996
10 July 2019	85,000	-	(41)	84,959
17 July 2019	25,000	-	(23)	24,977
29 July 2019	25,000	-	(35)	24,965
5 August 2019	25,000	-	(48)	24,952
14 August 2019	50,000	-	(109)	49,891
23 August 2019	45,000	-	(117)	44,883
11 September 2019	50,000	-	(174)	49,826
4 October 2019	25,000	-	(124)	24,876
9 October 2019	25,000	-	(125)	24,875
7 November 2019	25,000	-	(168)	24,832
13 November 2019	25,000	-	(159)	24,841
4 December 2019	25,000	-	(203)	24,797
11 December 2019	25,000	-	(180)	24,820
22 January 2020	25,000	-	(266)	24,734
	505,000	**-**	**(1,775)**	**503,225**

As at 30 June 2018 in $000's	Face value	Unamortised premium	Accrued interest	Total
11 July 2018	50,000	-	(27)	49,973
27 July 2018	25,000	-	(36)	24,964
2 August 2018	125,000	-	(210)	124,790
6 August 2018	25,000	-	(47)	24,953
15 August 2018	50,000	-	(121)	49,879
23 August 2018	25,000	-	(72)	24,928
12 September 2018	50,000	-	(199)	49,801
26 September 2018	25,000	-	(121)	24,879
10 October 2018	25,000	-	(146)	24,854
31 October 2018	25,000	-	(177)	24,823
14 November 2018	25,000	-	(192)	24,808
12 December 2018	25,000	-	(232)	24,768
	475,000	**-**	**(1,579)**	**473,421**

7 Bonds on issue

Bonds on issue do not include $400 million face value of issued LGFA bonds subscribed by LGFA and held as treasury stock. Refer Note 9: Treasury stock and bond repurchase transactions.

As at 30 June 2019 in $000's	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
15 April 2020	980,000	(2,674)	6,185		
15 May 2021	1,450,000	40,569	11,111		
14 April 2022	710,000	5,876	4,161		
15 April 2023	1,450,000	56,972	16,778		
15 April 2024	950,000	(3,895)	4,497		
15 April 2025	1,379,000	(38,648)	7,978		
15 April 2027	1,276,000	51,179	12,080		
14 April 2033	740,000	(35,533)	5,520		
Total	**8,935,000**	**73,848**	**68,311**	**535,236**	**9,612,394**

As at 30 June 2018 in $000's	Face Value	Unamortised premium	Accrued interest	Fair value hedge adjustment	Total
15 March 2019	1,240,000	8,990	18,196		
15 April 2020	980,000	(5,904)	6,185		
15 May 2021	1,420,000	57,960	10,882		
14 April 2022	270,000	(223)	1,582		
15 April 2023	1,429,000	67,183	16,535		
15 April 2025	969,000	(44,090)	5,606		
15 April 2027	1,056,000	35,890	9,997		
14 April 2033	355,000	(31,672)	2,648		
Total	**7,719,000**	**88,134**	**71,631**	**222,239**	**8,101,004**

8 Borrower notes

Borrower notes are subordinated debt instruments which are required to be held by each local authority that borrows from LGFA in an amount equal to 1.6% of the aggregate borrowings by that local authority.

LGFA may convert borrower notes into redeemable shares if it has made calls for all unpaid capital to be paid in full and the LGFA Board determines it is still at risk of imminent default.

9 Treasury stock and bond repurchase transactions

Periodically, LGFA subscribes for LGFA bonds as part of its tender process and holds these bonds as treasury stock. LGFA bonds held by LGFA as treasury stock are derecognised at the time of issue and no liability is recognised in the statement of financial position.

LGFA makes these treasury stock bonds available to banks authorised as its tender counterparties to borrow under short-term repurchase transactions.

The objective of the bond lending facility is to assist with improving secondary market liquidity in LGFA bonds. Bonds lent to counterparties are disclosed as a separate stock lending liability on the face of the statement of financial position.

Each month, LGFA notifies the market the amount of outstanding repurchase transactions and LGFA bonds held as treasury stock.

As at 30 June 2019, bond repurchase transactions comprised:

		30 June 2019 Bond repurchase trades	30 June 2018 Bond repurchase trades
15 March 2019	5% coupon	-	1,035
15 April 2020	3% coupon	-	4,076
15 May 2021	6% coupon	-	-
14 April 2022	2.75% coupon	15,535	-
15 April 2023	5.5% coupon	-	-
15 April 2024	2.25% coupon	-	-
15 April 2025	2.75% coupon	-	-
15 April 2027	4.5% coupon	5,837	1,072
14 April 2033	3.5% coupon	3,252	-
		24,625	**6,183**

10 Reconciliation of net profit to net cash flow from operating activities

For the year ended 30 June in $000s		2019	2018
Net profit/(loss) for the period		11,201	11,802
Cash applied to loans to local government	11	(1,330,360)	(191,878)
Non-cash adjustments			
Amortisation and depreciation		(3,579)	1,082
Working capital movements			
Net change in trade debtors and receivables		62	(9)
Net change in prepayments		(9)	(17)
Net change in accruals		(66)	(28)
Net Cash From Operating Activities		(1,322,752)	(179,048)

11 2018/19 Bond issuance and loans advanced

During the 12-months ended 30 June 2019, the gross nominal value of bonds issued and loans advanced were significantly higher than prior years:

Bonds issued: $2,456m (2018: $1,229m)

Loans advanced: $2.446m ($2018 1,088m)

12 Share Capital

As at 30 June 2019, LGFA had 45 million ordinary shares on issue, 20 million of which remain uncalled.

All ordinary shares rank equally with one vote attached to each ordinary share. Ordinary shares have a face value of $1 per share.

Shareholder information

Registered holders of equity securities as at 30 June	2019		2018	
New Zealand Government	5,000,000	11.1%	5,000,000	11.1%
Auckland Council	3,731,960	8.3%	3,731,960	8.3%
Christchurch City Council	3,731,960	8.3%	3,731,960	8.3%
Hamilton City Council	3,731,960	8.3%	3,731,960	8.3%
Bay of Plenty Regional Council	3,731,958	8.3%	3,731,958	8.3%
Greater Wellington Regional Council	3,731,958	8.3%	3,731,958	8.3%
Tasman District Council	3,731,958	8.3%	3,731,958	8.3%
Tauranga City Council	3,731,958	8.3%	3,731,958	8.3%
Wellington City Council	3,731,958	8.3%	3,731,958	8.3%
Western Bay of Plenty District Council	3,731,958	8.3%	3,731,958	8.3%
Whangarei District Council	1,492,784	3.3%	1,492,784	3.3%
Hastings District Council	746,392	1.7%	746,392	1.7%
Marlborough District Council	400,000	0.9%	400,000	0.9%
Selwyn District Council	373,196	0.8%	373,196	0.8%
Gisborne District Council	200,000	0.4%	200,000	0.4%
Hauraki District Council	200,000	0.4%	200,000	0.4%
Horowhenua District Council	200,000	0.4%	200,000	0.4%
Hutt City Council	200,000	0.4%	200,000	0.4%
Kapiti Coast District Council	200,000	0.4%	200,000	0.4%
Manawatu District Council	200,000	0.4%	200,000	0.4%
Masterton District Council	200,000	0.4%	200,000	0.4%
New Plymouth District Council	200,000	0.4%	200,000	0.4%
Otorohanga District Council	200,000	0.4%	200,000	0.4%
Palmerston North District Council	200,000	0.4%	200,000	0.4%
South Taranaki District Council	200,000	0.4%	200,000	0.4%
Taupo District Council	200,000	0.4%	200,000	0.4%
Thames - Coromandel District Council	200,000	0.4%	200,000	0.4%
Waimakariri District Council	200,000	0.4%	200,000	0.4%
Waipa District Council	200,000	0.4%	200,000	0.4%
Whakatane District Council	200,000	0.4%	200,000	0.4%
Whanganui District Council	200,000	0.4%	200,000	0.4%
	45,000,000	**100%**	**45,000,000**	**100%**

Capital management

LGFA's capital is equity, which comprises share capital and retained earnings. The objective of managing LGFA's equity is to ensure LGFA achieves its goals and objectives for which it has been established, whilst remaining a going concern.

Dividend

LGFA paid a dividend of $1,285,000 on 7 September 2018, being $0.0514 per paid up share (2018: $1,390,000 on 20 September 2017, being $0.0556 per paid up share).

13 Operating Leases

	2019	2018
Less than one year	108,728	121,533
Between one and five years	119,094	262,770
Total non-cancellable operating leases	**227,823**	**384,303**

14 Other assets

As at 30 June in $000s	2019	2018
Property, plant and equipment	-	-
Intangible assets[1]	457	609
Total other assets	**457**	**609**

1. Intangible assets comprise acquired and internally developed software costs incurred on the implementation of LGFA's treasury management system.

15 Capital commitments

As at 30 June 2019, there are no capital commitments.

16 Contingencies

There are no contingent liabilities at balance date.

17 Related parties

Identity of related parties

LGFA is related to the local authorities set out in the Shareholder Information in note 12.

LGFA operates under an annual Statement of Intent with the respective local authorities that sets out the intentions and expectations for LGFA's operations and lending to participating local authorities.

Shareholding local authorities, and non-shareholder local authorities who borrow more than $20 million, are required to enter into a guarantee when they join or participate in LGFA. The guarantee is in respect of the payment obligations of other guaranteeing local authorities to the LGFA (cross guarantee) and of the LGFA itself.

Related party transactions

LGFA was established for the purpose of raising funds from the market to lend to participating councils. The lending to individual councils is disclosed in note 5, and interest income recognised on this lending is shown in the statement of comprehensive income.

The purchase of LGFA borrower notes by participating councils. Refer note 8.

The Treasury (New Zealand Debt Management) provides LGFA with a committed credit facility and is LGFA's derivatives counterparty.

Transactions with key management personnel:

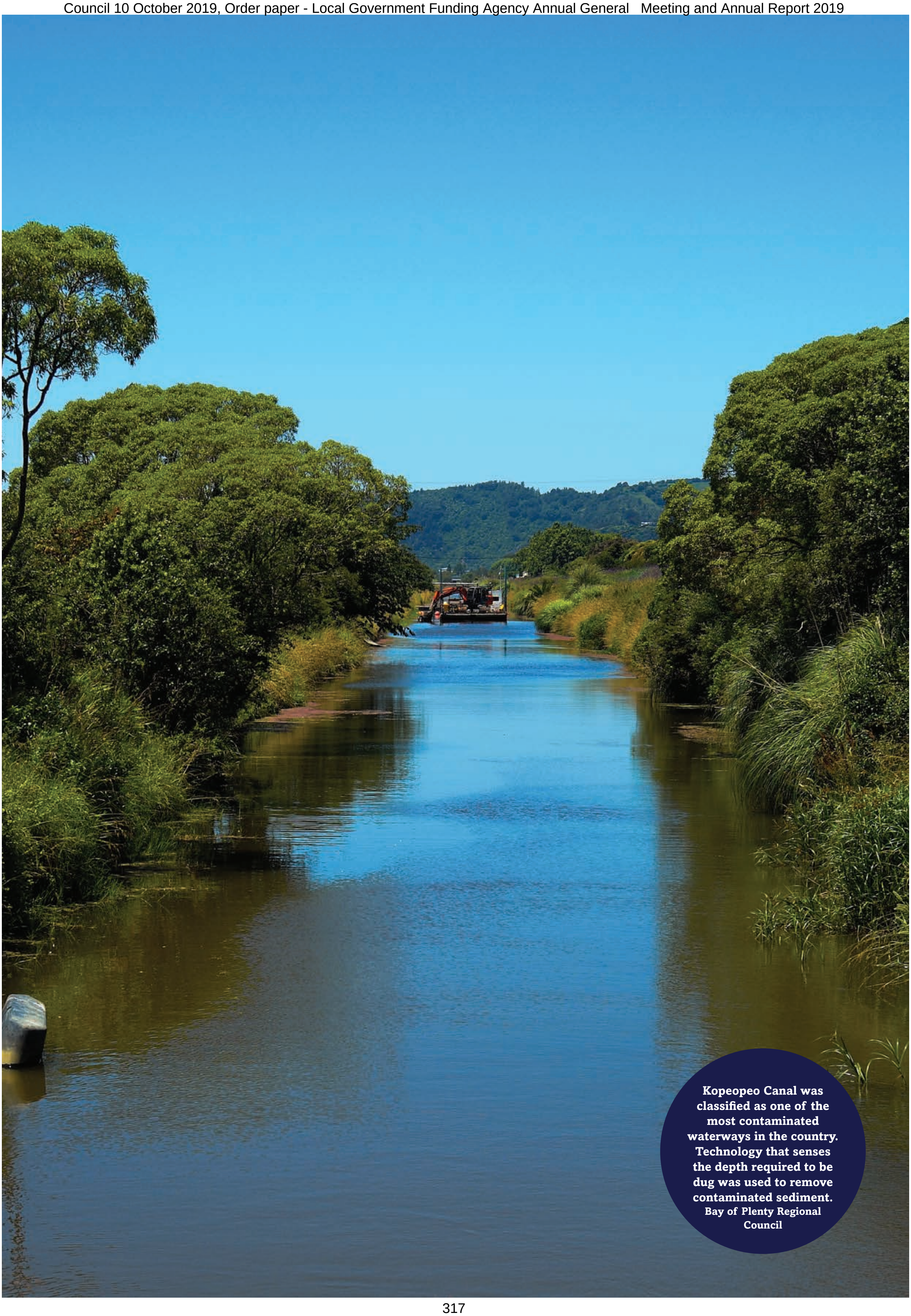
Salaries $904,300 (2018: $849,969)

Fees paid to directors are disclosed in operating expenses in Note 4.

18 Subsequent events

Subsequent to balance date, LGFA has issued $670 million in bonds through one tender and a syndication.

Subsequent to balance date, on 27 August 2019, the Directors of LGFA declared a dividend of $1,155,000 ($0.0462 per paid up share).



Kopeopeo Canal was classified as one of the most contaminated waterways in the country. Technology that senses the depth required to be dug was used to remove contaminated sediment.
Bay of Plenty Regional Council

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2019

The Auditor-General is the auditor of New Zealand Local Government Funding Agency Limited (the company). The Auditor-General has appointed me, Brent Manning, using the staff and resources of KPMG, to carry out the audit of the financial statements and performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 49 to 72, that comprise the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 36 to 47.

In our opinion:

- the financial statements of the company on pages 49 to 72:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2019; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Accepted Accounting Practic (NZ GAAP) and they comply with New Zealand Equivalents to Internationl Financial Reporting Standards and International Financial Reporting Standards (IFRS); and
- the performance information of the company on pages 36 to 47 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2019.

Our audit was completed on 30 August 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our 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. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at $74 million determined with reference to a benchmark of company Total Assets. We chose the benchmark because, in our view, this is a key measure of the company's performance. In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of a reasonably knowledgeable person ('qualitative' materiality).

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the readers as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter	How the matter was addressed in our audit
Existence and impairment of loans	
Refer to Note 5 to the Financial Statements. The loans LGFA has provided to local government make up over 90% of total assets. The loans are recognised at amortised cost and the nature of the counterparties is such that we do not consider these loans to be at high risk of significant misstatement. However, based on their materiality, and the judgement involved in assessing the credit worthiness of counterparties they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.	Our audit procedures included: - understanding the processes in place to assess borrowers and to record loan transactions. This included evaluating the control environment in place at LGFA. - agreeing the 30 June 2019 loan balances to eternal confirmations received from NZ Clear. - assessing the borrowers' compliance with financial covenants. We did not identify any material differences in relation to the existence or impairment of loans.
Application of hedge accounting	
Refer to Note 2 of the Financial Statements. LGFA enters into derivatives (interest rate swaps) to manage interest rate risk related to issuing fixed rate bonds. Fair value hedge accounting is applied where specific requirements are met around documentation of the hedge relationship and the relationship is demonstrated as being an effective hedge. Hedge accounting is complex, particularly in the area of whether the requirements (both initial and ongoing) for its application are met. Should the requirements for hedge accounting not be met, LGFA could experience significant volatility in the Statement of Comprehensive Income from changes in the fair value of the derivatives. Due to the size of the derivative positions and the complexity of hedge accounting we consider this to be a key audit matter.	Our audit procedures included: - agreeing the terms of the derivatives to the confirmation provided by the derivative counterparty. - using our treasury valuation specialists we independently recalculated the fair value of all of the derivatives recorded by LGFA. - ensuring the hedge documentation supporting the application of hedge accounting was in accordance with relevant accounting standards. - determining that management's hedge effectiveness calculations were correctly performed using appropriate source information. We did not identify any material differences in relation to the application of hedge accounting.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002 and the Financial Markets Conduct Act 2013.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

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

- We identify and assess the risks of material misstatement of the financial statements and the performance 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 our 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.
- We 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 company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.

KPMG

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 4 to 35, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1(Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the company.

Brent Manning
KPMG
On behalf of the Auditor-General
Wellington, New Zealand

Greater Wellington Regional Council's vehicle purchasing policy prioritises electric vehicles. EVs keep staff connected around the region while lowering the Council's carbon emissions.

Other disclosures
Whākitanga

Waivers from NZX Limited (NZX)

LGFA's fixed rate bonds are quoted on the NZX Debt Market (LGFA Bonds). NZX has granted LGFA a number of waivers from the NZX Listing Rules dated 1 October 2017.

Waiver from Rule 5.2.3

NZX has granted LGFA a waiver from NZX Listing Rule 5.2.3 to the extent that this requires the LGFA Bonds to be held by at least 100 members of the public holding at least 25% of the number of securities of that class issued.

The waiver from NZX Listing Rule 5.2.3 was provided on the conditions that:

a. LGFA clearly and prominently disclose the waiver, its conditions and its implications in its annual reports and in each profile or Offering Document for the LGFA Bonds;

b. LGFA will disclose market liquidity as a risk in each offering document (excluding any offering document referred to in paragraph (f) of the definition of "Offering Document" under NZX Listing Rule 1.6.1) for the LGFA Bonds; and

c. the nature of LGFA's business and operations do not materially change from its business and operations as at the date of the waiver decision.

The effect of the waiver is that the LGFA Bonds may not be widely held and there may be reduced market liquidity in the LGFA Bonds.

Effective from 1 July 2019, LGFA ceased to rely on this waiver as a result of its transition to the revised NZX Listing Rules dated 1 January 2019 (Revised Rules). The equivalent rules in the Revised Rules are not applicable to LGFA as an issuer of debt securities.

Waiver from Rule 6.3.2

NZX has granted LGFA a waiver from NZX Listing Rule 6.3.2 so that the deemed date of receipt of notices for a holder of LGFA Bonds who has supplied LGFA with an address outside of New Zealand, will be five working days after that notice is posted to that physical address.

Effective from 1 July 2019, LGFA ceased to rely on this waiver as a result of its transition to the Revised Rules. The equivalent rule in the Revised Rules is not applicable to LGFA as an issuer of debt securities.

Donations

No donations were made by LGFA during the year ended 30 June 2019.

Net Tangible Assets

Net tangible assets per $1,000 of listed bonds as at 30 June 2019 is $7.95 (2018: $7.92).

Earnings per security

Earnings per security as at 30 June 2019 is $1.20 (2018: $1.45).

Amount per security of final dividends

Not applicable

Spread of Quoted Security holders

Holding range	Holder count	Holder Count %	Holding Quantity	Holding Quantity %
10,000 to 49,999	380	45.89	9,819,000	0.11
50,000 to 99,999	152	18.36	10,781,000	0.12
100,000 to 499,999	184	22.22	37,648,000	0.4
500,000 to 999,999	38	4.59	26,090,000	0.28
1,000,000 to 9,999,999,999,999	74	8.94	9,250,662,000	99.1
Total	**828**	**100**	**9,335,000,000**	**100.01**

LGFA Staff, from left: Andrew Michl, Ariadne Clarke, Mark Butcher, Jane Phelan, Sumitha Kaluarachi, Koshick Ranchhod, Neil Bain

LGFA Board of Directors, from left: Mike Timmer, Anthony Quirk, Linda Robertson, Craig Stobo, Philip Cory-Wright, John Avery

Appendix: Sustainability
Tāpiritanga

GRI Index

As part of LGFA's commitment on improving non-financial disclosures in relation to social responsibility and sustainability, LGFA has chosen to incorporate Global Reporting Initiative (GRI) standards when preparing this annual report.

As at the date of this report, work is still progressing on identifying and reporting on the material topics that reflect LGFA's significant economic, environmental and social impacts. It is anticipated that this work will be complete for inclusion in the 2020 Annual Report.

The GRI index below shows where in this report information can be found about the indicators that are relevant to LGFA's business operations.

Disclosure title		Reference/Disclosure
102-1.	Name of the organisation	Page 4
102-2.	Activities, brands, products and services	Pages 4-9
102-3.	Location of headquarters	Page 81
102-4.	Location of operations	Page 81
102-5.	Ownership and legal form	Pages 4,53
102-6.	Markets served	Pages 4-6, 11-12, 36-47 New Zealand
102-7.	Scale of the organisation	Pages 4-9, 14-15, 22,51
102-8.	Information on employees and other workers	Pg 24,79
102-9.	Supply chain	Pages 4-9
102-10.	Significant changes to the organisation and its supply chain	None.
102-11.	Precautionary Principle or approach	N/A
102-12.	External initiatives	Pg 16
102-13.	Membership of Associations	Financial Service Providers Register
102-14.	Statement from senior decision-maker	Pages 11-12, 28
102-16.	Values, principles, standards, and norms of behavior	Pages 16-17, 25
102-40.	List of stakeholder groups	Not reported, to be disclosed in 2020 Annual Report
102-41.	Collective bargaining agreements	None
102-42.	Identifying and selecting stakeholders	Not reported, to be disclosed in 2020 Annual Report
102-43.	Approach to stakeholder engagement	Not reported, to be disclosed in 2020 Annual Report
102-44.	Key topics and concerns raised	Not reported, to be disclosed in 2020 Annual Report
102-45.	Entities included in the consolidated financial statements	Page 49
102-46.	Defining report content and topic Boundaries	Not reported, to be disclosed in 2020 Annual Report
102-47.	List of material topics	Not reported, to be disclosed in 2020 Annual Report

102-48.	Restatements of information	None.
102-49.	Changes in reporting	N/A (first year of reporting).
102-50.	Reporting period	1 July 2018 to 30 June 2019.
102-51.	Date of most recent report	2019 Annual Report.
102-52.	Reporting cycle	Annual.
102-53.	Contact point for questions regarding the report	lgfa@lgfa.co.nz
102-54.	Claims of reporting in accordance with the GRI Standards	Not currently compliant.
102-55.	GRI content index	Page 80
102-56.	External assurance	None.
Topic disclosures		Reference/Disclosure
Diversity and equal opportunity		
103.	Disclosure on management approach	Page 22
405-1.	Diversity of governance bodies and employees	Page 22
Occupational health and safety		
103.	Disclosure on management approach	Page 25

Directory
Rārangi tauwaea

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Except Public Holidays

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AUCKLAND

Level 5
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LGFA

NEW ZEALAND LOCAL
GOVERNMENT FUNDING AGENCY

TE PŪTEA KĀWANATANGA Ā-ROHE

www.lgfa.co.nz

Attachment 2 to Report 19.457

LGFA
NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY
TE PŪTEA KĀWANATANGA Ā-ROHE

Agenda
Annual General Meeting

21 November 2019

The Bolton Hotel, Wellington

2:00pm – 4:00pm

	Agenda Item	Leading Discussion
1	Introduction from Chairman	Craig Stobo
2	Quorum	Craig Stobo
3	Financial Statements and Reports	Mark Butcher
4	Election of Company Directors	Craig Stobo
5	Election of Nominating Local Authorities to Shareholders' Council	Craig Stobo
6	Directors' Remuneration	Alan Adcock
7	Changes to LGFA Foundation Policies and Shareholder Agreement	Mark Butcher
8	Questions/Comments from Shareholders	Alan Adcock
9	General Business	Craig Stobo
10	Afternoon Tea	All

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED
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Attachment 3 to Report 19.457

27 September 2019

The Shareholders
NZ Local Government Funding Agency

Dear Shareholder

You have recently received papers from the LGFA for its Annual General Meeting (AGM) on 21 November 2019. The Shareholders' Council (SC) has considered this material and wishes to make recommendations to help with your decision making prior to the AGM.

Our role (as per the Shareholders' Agreement) includes requirements to:

- make recommendations to Shareholders as to the appointment, removal, re-election, replacement and remuneration of Directors.
- make recommendations to Shareholders as to any matters which require the approval of Shareholders

Our recommendations on the different AGM resolutions are as follows:

Resolution 1 – Financial Statements and Reports

The Shareholders' Council recommends approval is given for this resolution.

Resolution 2 - Election of Directors

Linda Robertson and Mike Timmer have both proven themselves to be effective and competent directors and they have the support of the SC.

There have been no other nominations.

The Shareholders' Council recommends approval is given for this resolution.

Resolution 3 - Election of Nominating Local Authorities

- Auckland Council is represented by John Bishop.
- Western Bay of Plenty Council is represented by Kumaren Perumal.

Both are actively involved in LGFA matters and wish to continue their association.

We are not aware of any other Councils that wish to have direct representation on the SC at this time and no other nominations have been received. However, some interest has been expressed from potential new members next year.

The Shareholders' Council recommends approval is given for this resolution.

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED
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Resolution 4 – Directors' Remuneration

The Shareholder's Council commissioned Board Dynamics to undertake an LGFA director remuneration review. This review was to provide an update to the Board Dynamics review undertaken in 2017.

Board Dynamics Review

The Shareholder's Council met in August to review the report on your behalf. The outcome of our meeting was to make the following recommendations to shareholders, based on our review of the report.

That Annual Fees are set from 2019 as follows:

• Independent Chair	$102,000
• Director with Audit and Risk Chair role	$63,000
• Director	$57,000
• Director with Audit and Risk Committee membership	$2,000*

**this additional fee is at the lower end of the recommended range*

The report also provides some useful background and information relating to the LGFA, the Board, and remunerations levels at other comparable Boards. You may find this information useful should you need to take a report and recommendations through your governance approval processes.

If you have any questions or queries relating to the report please feel free to contact either myself or Mat Taylor (mat.taylor@boprc.govt.nz), at Bay of Plenty Regional Council who was part of the sub- group of the Shareholder's Council who oversaw the preparation of the report.

There is very strong (although not quite unanimous) support for the remuneration changes and the Shareholders' Council recommend that approval is given for this resolution.

Lending directly to CCOs

- **Resolution 5 - Changes to Foundation Documents**
- **Resolution 6 - Changes to the Shareholders' Agreement**

At the November 2018 AGM LGFA received shareholder approval to proceed with establishing the framework and process to lend directly to CCOs. LGFA management subsequently commissioned Russell McVeagh to help develop the structure, process and drafting changes to the LGFA legal documents to implement the required changes.

The Shareholders Council received draft documentation to review and provide feedback. We in turn commissioned Simpson Grierson to give independent advice on the overall approach and documentation.

As you will be aware the LGFA documentation (Shareholders' Agreement, Multi-Issuer Deed, Notes Issuer Agreement and Guarantee & Indemnity) is complex and detailed. It has gone through numerous iterations as feedback from LGFA, two legal firms and the Shareholders' Council (comprising nine council and two central government appointees) has been reviewed and incorporated. We have now reached agreement that the proposed changes to the documentation are appropriate and will allow LGFA to lend directly to CCOs without exposing guarantors to additional risk, which was a fundamental aspect of the 2018 AGM decision.

The Notice of Meeting from LGFA includes some information about the proposed changes, so I will not include that in this letter. However, we have worked with LGFA management to prepare two discussion papers that provide 'plain English' explanations. Councils may wish to include one or both of these in agendas if any Elected Member approvals are required.

However, I would like to point out that during this process the SC facilitated considerable discussion about:

- ensuring that the proposed arrangements did not add any additional risk to guarantors
- the way financial covenants should be calculated where there are lending arrangements at both Parent and Group level for a council; particularly those relating to the Debt to Revenue ratio. We will be working with LGFA to review this going forward.
- limiting direct lending to CCO's that are 100% in the ownership of one or more councils (with the sole exception being those with a Central Government shareholding)
- incorporating the ability to lend to CCOs with less than 100% council ownership **in the future.** A minimum of 51% ownership would be required, with this facility only being 'switched on' following a Special Resolution of shareholders at a later date. This high approval threshold (which requires at least 75% approval) has been set at the SC's request as lending to entities (even though they would be minority shareholders) outside our sector is seen as a fundamental change in LGFA's operating model.
- ensuring any agreements embedded in the foundation documents are not compromised by the proposed changes
- having all documents drafted so that they meet all requirements for this change, but are not so prescriptive that they hinder the practical application of the underlying principles as LGFA conduct their business.

This has been a complex and time-consuming process with some robust discussion between the parties involved. Much of the complexity has arisen because we have had to accommodate the wide (and often subtle) variations in the way councils and their CCOs are structured across our sector as we have contemplated both current and potential future scenarios (such as the formation of jointly-owned water service providers).

During our deliberations the SC members recognised that we have separate interests as shareholders, guarantors and borrowers. However, given the cooperative structure of LGFA, we felt that these interests did not give arise to any specific conflicts that precluded any members from participation in the process.

We also note there are also some minor amendments required to reflect the lending growth of LGFA and these changes are supported.

We have now reached a point where there is very strong (although not quite unanimous) support for all the proposed changes, and the Shareholders' Council recommend that approvals are given for both these resolutions.

I trust you find this information helpful. Please contact me or your Shareholders' Council liaison should you wish to discuss any matter relating to this letter or any other aspects of LGFA operations.

Yours sincerely

Alan Adcock
Chair, LGFA Shareholders' Council

cc. Mark Butcher, Chief Executive LGFA

Exclusion of the public **Report 19.468**

That the Council:

Excludes the public from the following part of the proceedings of this meeting, namely:

1. *Confirmation of the Public Excluded minutes of 2 October 2019*

The general subject of each matter to be considered while the public is excluded, the reasons for passing this resolution in relation to each matter and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 (the Act) for the passing of this resolution are as follows:

	General subject of each matter to be considered:	***Reason for passing this resolution in relation to each matter***	***Ground under section 48(1) for the passing of this resolution***
1.	*Confirmation of the Public Excluded minutes of 2 October 2019*	*The information contained in these minutes relates to future rail service procurement and contracting, proposed land purchase upon terms and conditions that are yet to be negotiated and agreed, and a proposed purchase of land upon terms and conditions that are yet to be finalised. Having this part of the meeting open to the public would disadvantage GWRC if further negotiations were to take place as it would reveal GWRC's negotiation strategy. GWRC has not been able to identify a public interest favouring disclosure of this particular information in public proceedings of the meeting that would override this prejudice.*	*That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information which good reason for withholding exists under section 7(2)(b)(ii), (i) and/or (j) of the Act.*

This resolution is made in reliance on section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as specified above.