Greater Wellington
Te Pane Matua Taiao

Statement of accounting policies

Reporting entity

Greater Wellington Regional Council (Greater Wellington) is a regional local authority governed by the Local Government Act 2002 and Local Government (Rating) Act 2002.

Greater Wellington provides water supply, regional parks, public transport, flood protection and environmental regulation and management and monitoring to the Greater Wellington region for community and social benefit, and not for a financial return. Accordingly Greater Wellington has designated itself as public benefit entities (PBE's) and applies New Zealand Tier 1 Public Sector Public Benefit Entity accounting standards (PBE Accounting Standards).

The reporting period of Greater Wellington for those prospective financial statements is the 10-year period from 1 July 2024 to 30 June 2034.

The main purpose of those prospective financial statements is to provide users with information about the core services that Greater Wellington intends to provide to ratepayers and the plan is only prepared for the council parent.

Basis of preparation

The prospective financial statements of the Greater Wellington have been prepared in accordance with the requirements of the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014, which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP) and PBE FRS 42 Prospective financial statements.

The prospective financial statements have been prepared on the going concern basis.

The prospective financial statements are presented in New Zealand dollars and rounded to the nearest thousand ($000), unless otherwise stated.

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

The accounting policies set out below have been applied consistently to all periods presented in these prospective financial statements.

Measurement base

The prospective financial statements are prepared using a measurement base of historical cost modified by the revaluation of certain assets as set out in the specific accounting policies.

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.

Summary of significant accounting policies

1. Revenue

Revenue is measured at fair value. Revenue is recognised when billed or earned on an accrual basis.

Exchange transaction revenue arises when Greater Wellington provide goods or services directly to a third party and receive approximately equal value in return. Non-exchange transaction revenue arises when Greater Wellington receives value from another party without having to directly provide goods or services of equal value.

Greater Wellington's significant items of revenue are recognised and measured as follows:

(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

Greater Wellington receives government grants from Waka Kotahi/NZ Transport Agency. These grants subsidise part of Greater Wellington's costs for the following – the provision of public transport subsidies to external transport operators, the capital purchases of rail rolling stock within a Greater Wellington 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 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 when the right to receive payment has been established and in surplus & deficit.

(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. Vested assets are recognised as revenue when control over the asset is obtained.

2. Employee benefits

Employment costs relate to the remuneration paid directly to staff, other employee benefits such as other associated costs such as recruitment and training.

Employer contributions to defined contribution schemes and/or KiwiSaver is accounted for as defined contribution superannuation schemes and is expensed in the surplus or deficit as incurred.

3. Grants and subsidies expenditure

Discretionary grants and subsidies are recognised as expenses when Greater Wellington has advised their decision to pay and when the attached conditions, if any, are satisfied. Non-discretionary grants are recognised as expenses on receipt of an application that meets the specified criteria.

4. Finance expenses

Finance expenses include interest costs, amounts paid or payable on interest rate swaps and expenses directly incurred in managing funding.

5. Operating leases

Greater Wellington leases office space, office equipment, vehicles, land and buildings. 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.

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.

6. Income tax

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

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

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 statement of financial position and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which Greater Wellington expects to recover or settle the carrying amount of its assets and liabilities.

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 surpluses 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 is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive income or directly in equity.

7. Cash and cash equivalents

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

8. Trade and other receivables

Short term receivables are recorded at the amount due, less an allowance for expected credit losses (ECL).

Greater Wellington applies the simplified ECL model of recognising lifetime ECL for short term receivables.

In measuring ECLs, receivables have been grouped into rates receivables, and other receivables, and assessed on a collective basis as they possess shared credit risk characteristics. They have then been grouped based on the days past due. A provision matrix is then established based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Rates are “written off”:

- when remitted in accordance with the Council’s rates remission policy; and
- in accordance with the write off criteria of sections 90A (where rates cannot be reasonably recovered) and 90B (in relation to Māori freehold land) of the Local Government (Rating) Act 2002.

Amounts in other non rates categories of receivables are written off when there is no reasonable expectation of recovery.

Greater Wellington does not provide for ECL on rates receivable as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding rates.

Due to minimal historical credit losses, Greater Wellington does not provide for ECL on other non rates categories of receivable unless the effect of forward looking factors is considered material.

9. 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.

10. Other financial assets

Other financial assets are initially recognised at fair value.

Purchases and sales of financial assets are recognised on trade date, the date on which Greater Wellington commits to purchase or sell the asset.

Financial assets are derecognised when the contractual rights to receive cash flows from the financial asset expire, are waived, or have been transferred in a way that qualifies for derecognition.

At acquisition, other financial assets are classified as, and subsequently measured under, the following categories:

- amortised cost;
- fair value through other comprehensive revenue and expense (FVTOCRE); and
- fair value through surplus and deficit (FVTSD).

Transaction costs are included in the value of the financial asset at initial recognition unless it is classified at FVTSD, in which case any directly attributable transaction costs are recognised in surplus or deficit.

The classification of a financial asset depends on its cash flow characteristics and Greater Wellington's management model for managing them.

A financial asset is classified and subsequently measured at amortised cost if it gives rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal outstanding and is held within a management model whose objective is to collect the contractual cash flows of the asset.

A financial asset is classified and subsequently measured at FVTOCRE if it gives rise to cash flows that are SPPI and held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets; or if it is an equity investment not held for trading that has been designated at initial recognition as subsequently measured at FVTOCRE.

Financial assets that do not meet the criteria for measurement at amortised cost or FVTOCRE are subsequently measured at FVTSD.

Subsequent measurement of financial assets at amortised cost

Financial assets classified at amortised cost are subsequently measured at amortised cost using the effective interest method, less any expected credit losses (ECL). Where applicable, interest accrued is added to the investment balance. Instruments in this category include term deposits, receivables, and loans to subsidiaries.

Subsequent measurement of financial assets at FVTOCRE

Financial assets in this category are unlisted equity investments designated as FVTOCRE. They are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense. There is no assessment for impairment when fair value falls below the cost of the investment. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to accumulated funds within equity.

Unlisted equity investments held by Greater Wellington are strategic investments intended to be held for the medium to long term and not for trading. Greater Wellington designate all unlisted equity investments into the FVOTCRE category other than equity interests in subsidiaries and associates (see Note 19) and equity interests in joint ventures (see Note 14).

The fair value of unlisted equity investments is calculated based on Greater Wellington's share of net assets of the companies.

Subsequent measurement of financial assets at FVTSD

Financial assets in this category are subsequently measured at fair value with fair value gains and losses recognised in surplus or deficit.

Expected credit losses (ECL) allowance

Greater Wellington recognises an allowance for ECL for all debt instruments not classified as FVTSD. ECL are the probability weighted estimate of credit losses, measured at the present value of cash shortfalls, which is the difference between the cash flows due to Greater Wellington in accordance with the contract and the cash flows it expects to receive. ECL are discounted at the effective interest rate of the financial asset.

ECL are recognised in two stages. ECL are provided for credit losses that result from default events that are possible within the next 12 months (12 months ECL). However, if there has been a significant increase in credit risk since initial recognition, the loss allowance is based on losses possible for the remaining life of the financial asset (Lifetime ECL).

When determining whether the credit risk of a debt instrument has increased significantly since initial recognition, Greater Wellington considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Greater

Wellington's historical experience and informed credit assessment and including forward looking information.

Greater Wellington considers a debt instrument to be in default when a contractual cash flow is more than 90 days past due. Greater Wellington may determine a default occurs prior to this if internal or external information indicates the counterparty is unlikely to pay its credit obligations in full. The Greater Wellington measures ECL on loan commitments at the date the commitment becomes irrevocable. If the ECL measured exceeds the gross carrying amount of the debt instrument, the ECL are recognised as a provision.

11. 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.

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

- Operational land and buildings
- Operational plant and equipment
- Operational vehicles
- Flood protection infrastructural assets
- Transport infrastructural assets
- Navigational aids infrastructural assets
- Parks and forests infrastructural assets
- Capital work in progress
- Regional water supply infrastructural assets
- Right of use 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 Greater 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.

Property, plant, and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

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 three to 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 Greater Wellington 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.

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 Greater Wellington 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 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 to 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:

Operational land	Indefinite
Operational buildings	5 to 75 years
Operational plant and equipment	2 to 40 years
Operational vehicles	2 to 34 years
Flood protection infrastructural assets	10 years to indefinite
Transport infrastructural assets	4 to 150 years
Navigational aids infrastructural assets	10 to 50 years
Parks and forests infrastructural assets	5 to 155 years
Regional water supply infrastructural assets	3 to 214 years
Right to use	20 years

Impairment of property, plant, and equipment

Property, plant, and equipment that has a finite useful life is 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.

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.

12. 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 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 through the revaluation reserve.

13. Derivative financial instruments

Derivative financial instruments are used to manage exposure to interest rate risks arising from Greater Wellington's financing activities and exposure to foreign exchange risks arising from operational activities. In accordance with its Treasury management policies, Greater Wellington does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date based on the forward interest rate yield curve. The resulting gain or loss is recognised in surplus or deficit.

The portion of the fair value of an interest rate swap derivative that is expected to be realised within 12 months of balance date is classified as current, with the remaining portion of the interest rate swap classified as non-current.

The full fair value of any foreign exchange contract derivative is classified as current if the contract is due for settlement within 12 months of balance date; otherwise, foreign exchange contract derivatives are classified as non-current.

14. Trade and payables

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

15. Employment 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. Greater Wellington 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.

16. Borrowings

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

17. Provisions

A provision is recognised in the statement of financial position when Greater Wellington 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.

18. Service concession

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 recognised 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 recognised which is accounted for using the amortised cost model leading to finance expenses over 15 years.

19. Overhead allocation and internal transactions

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

Individual significant activity operating revenue and operating expenditure are stated inclusive of any internal revenues and internal charges. These internal transactions are eliminated in Greater Wellington'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.

20. Equity

Equity is the community's interest in Greater Wellington 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 Greater Wellington. The components of equity are accumulated funds, revaluation reserves and other reserves.

Asset revaluation reserve

This reserve relates to the revaluation of property, plant, and equipment to fair value.

Fair value reserve

This reserve comprises the cumulative net change in the fair value of assets classified as fair value through other comprehensive revenue and expense.

21. Related party transactions

Related parties include subsidiaries, associates, joint ventures, key management personnel, the elected representatives of Greater Wellington and entities controlled by them.

22. Statement of cash flow

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

(a) Operating activities comprise the principal revenue producing activities of Greater Wellington and other activities that are not considered to be investing or financing activities.

(b) Investing activities are those activities relating to the acquisition and disposal of Property, Plant and 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 Greater Wellington. 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.

23. Reserve

The Local Government Act 2002 requires the Long-term Plan to identify each reserve set aside by the council, the purpose of each fund, the activities to which each fund relates and funding flows for the period of the plan.

24. Changes in Accounting Policies

Amendment to PBE IFRS 17 Insurance Contracts– effective 1 January 2026

The amending standard Insurance Contracts in the Public Sector adds public sector modifications to PBE IFRS 17 Insurance Contracts to include public sector entities and to ensure that this Standard is suitable for this sector.

Amendment to PBE IPSAS 1 Presentation of Financial Reports – effective 1 January 2024

The enhanced disclosures are expected to improve the transparency and consistency of disclosures about fees paid to an entity's audit.

The changes in accounting standards are not effective at the time of preparation Long-term plan and no impact on those prospective financial statements.