
Summary **Wellington City
Council 2013/14
Annual Report**



Welcome to our summary of the 2013/14 Annual Report

In this summary you will see highlights of what we have achieved over the past year, how we performed and what it cost.


A summary of our financial performance and position is included. You will see that the year was a successful one for Wellington and the city is in great shape. Together we have the people and financial capacity to do more.

We look forward to working with you as we step up our investment in and commitment to our ambitious plan for sustainable and inclusive growth in our beautiful capital.



CELIA WADE-BROWN
Mayor

26 September 2014



KEVIN LAVERY
Chief Executive

26 September 2014



ANDY MATTHEWS
Chief Financial Officer

26 September 2014

We are promoting Wellington internationally to attract the people and investment needed to grow our smart economy.



Our growth agenda

This year, Wellingtonians elected a new Council, which is action-oriented and responding to the issues facing Wellington

WELLINGTON CAN BE A WORLD-CLASS CITY WHERE TALENT WANTS TO LIVE

We have all the ingredients to be a world-class city - people, location and lifestyle - but we are not doing as well as we could. In recent years, our economy hasn't performed as strongly as some other cities and we rely heavily on the government sector to keep the economy afloat.

The Council has made significant investments in assets and programmes that have lifted the city's quality of life, eg sports and recreation facilities, infrastructure upgrades and social housing.

WE NEED TO GROW OUR INCOME AND WE HAVE THE CAPACITY TO DO SO

To become a city that is sustainable, dynamic, connected and people-centred, we need a stronger economy and a growing ratepayer base. The stronger the economy, the faster the ratepayer base grows. The faster the ratepayer base grows, the more we can invest in the city.

The Council's financial position is strong and we have the opportunity and resources to do more, if we choose to. We have an AA credit rating with Standard and Poors, our rates are not as high as many of our neighbours and we have relatively low debt.

WE HAVE COMMITTED TO A GROWTH AGENDA

Our role is to support and enable the city's entrepreneurs, investors, researchers and workers to succeed. We have committed to:

- **being open for business** - we will remove red tape, make regulations clear and be customer-focussed
- **doing our core jobs well** - we will deliver our services as efficiently and effectively as possible
- **bringing people together** - we will enable people and organisations to connect so they can create jobs and business opportunities

- **investing for growth** - we will invest in projects that make a real difference to the local economy and people

WE'VE ALREADY MADE A START

We have already made a start on projects that will achieve our goals, including:

- establishing, with other councils, the Wellington Regional Economic Development Agency
- joining up back-office and IT services with other councils in the region
- contributing \$1 million to the airport runway extension consent application cost
- establishing the Wellington Economic Initiative Development (WEID) Fund and investing in Destination Wellington
- reducing development contributions.

AND WE'RE COMMITTED TO OUR EIGHT BIG IDEAS

Our future programme includes projects aimed at growing the local economy, including:

- a **convention centre and hotel** opposite Te Papa
- a **film museum** to celebrate Wellington's film sector and attract international tourists
- **international air connections** to provide direct flights to Asia and beyond
- a **CBD tech precinct** to connect people in high-tech industries
- a **development framework for Miramar** as New Zealand's creative industries hotspot
- providing **better transport** choices
- being **open for business**
- being a **liveable city** that sustains what makes Wellington a great place to live

1

We deliver value for money

- This year, the services we delivered cost \$5.82 per resident per day.
- Our AA credit rating with Standard and Poors is the highest credit rating held by any Council in New Zealand, which provides us a reduced cost of borrowing.
- We kept rates increases affordable by limiting the 2013/14 rates increase to 2.5%.
- Our net borrowings are 84% of income, which is below our operating target of 105% and well below our prudential limit of 150%.

And in the future we will keep reducing costs by continuing our efforts to provide shared services with other councils in the Wellington region.

2

We are more resilient

- We have strengthened several Council buildings, with more to be completed by December 2014.
- We assessed the structural performance of all pre-1976 buildings in the city and found that only 13% are earthquake prone.
- We are making the water network resilient by strengthening the Maupuia and Maldive No 2 reservoirs, and installing emergency water tanks and auto shut-off valves.
- We are building retaining walls, and strengthening bridges and tunnels including the Aotea Quay bridge and Hataitai Bus Tunnel.
- We have developed programmes to support local leadership, and strengthen community and neighbourhood resilience and safety.

And in the future we will make it easier and more cost-effective for building owners by providing rates remissions for earthquake-strengthening of their buildings.

3

Wellingtonians participate

This year:

- 670,000 people attended Council supported events and 115,000 tickets were sold for the New Zealand Festival
- 1.3 million people visited Te Papa, 600,000 visited other museums and galleries and 750,000 attended arts and cultural festivals.
- 1.2 million people visited Council swimming pools, 320,000 visited recreation centres and 600,000 visited the ASB Centre.
- 94% of residents used a local park or reserve, 95% used a beach or coastal area, and 72% used a walkway.

And in the future we will celebrate and promote increased use of our events, services and facilities by residents.

4

We do the basics well

- We provide 350km of tracks and 40km² of Town Belt land.
- Our infrastructure includes 1,058km of sewers, 80 water reservoirs, 33 water pumping stations, 7,300 hydrants and 1,245km of underground water pipes.
- Our visitor attractions include Wellington Zoo, Zealandia and four botanic gardens.
- Our residents regularly use the 12 libraries, seven swimming pools, seven recreation centres, 100 playgrounds and parks, 45 sportsfields and two marinas we provide.
- We have 650km of roads and 12,000 parking spaces.
- We provide 2,300 social housing homes to residents in need.

And in the future we will match our investment in social services and infrastructure to the areas where the population and demand for services is increasing.


5

We've got plans to grow

- We agreed our eight big ideas, which will bring economic growth to the city.
- We're attracting business, talent, investment and students to the region through Destination Wellington.
- We helped establish the Business Improvement District in Miramar, which will boost the local economy.
- We developed international relationships, including leading a delegation of 30 organisations to China and Japan.
- We're establishing the Wellington Regional Economic Development Agency with other councils in the region.

And in the future we will pursue our growth agenda by investing in projects that make a real difference to the local economy.



A photograph of a bar interior. The top half of the image is a close-up of shelves filled with numerous bottles of liquor, including brands like Amari, Pisco, and Verano. The bottom half shows a bar counter with a coffee machine, a grinder, and various bottles of spirits like Hendrick's and Beehive. The bar has a white subway tile backsplash and a wooden shelf above the counter.

***You can pursue your passion for
cuisine, the arts and knowledge,
all within walking distance of our
vibrant city centre.***

1

Governance Pārongo ā-tāone

WHAT WE DO

We ensure people are well informed and can contribute meaningfully to Council decision-making processes. The Local Government Act 2002 sets out the decision-making, planning and accountability procedures expected of local authorities.

City Archives preserves and makes available a huge range of primary information about the city's history.

We ensure the special position of mana whenua Ngāti Toa Rangatira and Taranaki Whānui ki te Upoko o te Ika is acknowledged and reflected in the way we make decisions about the city and its resources. We also ensure their contribution to Wellington's heritage and future is fully and publicly acknowledged. We work with mana whenua to explore opportunities for the city emerging from settlement of their historic Treaty of Waitangi claims, and engage with the wider Māori community - in particular, on issues of specific interest to them.

OUR GOVERNANCE ACTIVITIES CONTRIBUTE TO US BEING

People centred - They enhance trust and confidence in civic decision-making and encourage the community to participate in city governance. They also promote inclusiveness, celebrate social and cultural diversity, and enable us to respond to the needs and aspirations of Māori and mana whenua.

Connected - Providing information about our services allows people to use the city's services, facilities and activities.

WHAT WE ACHIEVED

This year we:

- ran the local body elections, inducted a new council and introduced a new council decision-making structure
- adopted a new Engagement Policy, which includes a public commitment to how we will engage with Wellingtonians
- made information more accessible through City Archives
- set the Council's strategic direction in the 2014/15 Annual Plan. This includes a growth agenda for the Council, and changes to development contributions and our rates remission policy.

HOW WE PERFORMED

We improved customer satisfaction with our information and engagement work. The results for our information accessibility measures are below target, although we met our legislative obligations. Our service centre is very good at responding to enquiries and residents are satisfied with City Archives.

WHAT IT COST

ACTIVITY COMPONENT	TOTAL COST (\$000)	COST PER RESIDENT PER WEEK
Governance, information and engagement	16,365	\$1.57
Māori and mana whenua partnerships	225	\$0.02
Total governance	16,590	\$1.59

2

Environment Taiao

WHAT WE DO

We preserve the city's unique environment and protect and restore its biodiversity. We enhance the city's unique 'sense of place' and provide attractive, safe and accessible open spaces for leisure and recreation.

We supply water, stormwater and wastewater services and provide waste disposal and recycling services. We also encourage waste minimisation and promote energy efficiency and conservation.

We fund Wellington's conservation attractions - Wellington Zoo and Zealandia.

OUR ENVIRONMENT ACTIVITIES CONTRIBUTE TO US BEING

People centred - High-quality natural environments enhance Wellington's unique 'sense of place', making it an even better place to live, work and play. They attract visitors and provide attractive, safe and accessible opportunities for leisure and recreation.

Connected - Accessible and high-quality natural and green environments encourage people to gather together, share activities and connect with each other. Networks of green spaces and corridors link the city with its coastline and beaches. Conservation connects people with the environment and links the present to the future.

An eco-city - High-quality natural and green environments protect and enhance our biodiversity and contribute to off-setting our carbon emissions. They model Wellington's leadership role as capital city of a clean and green New Zealand and as a leading sustainable city of the 21st century.

A dynamic central city - A reliable and adequate supply of clean and safe water is critical for people to live, work, study and play in the central city and increasingly it will distinguish Wellington from other cities as a desirable and healthy place to live and establish a business.

WHAT WE ACHIEVED

This year we:

- finalised Our Capital Spaces, the Council's open space and recreation plan for the next 10 years, and the Wellington Town Belt Management Plan.
- planted or distributed more than 80,000 native plants, completed several walkway renewals and carried out pest eradication work throughout Wellington.
- continued upgrading our water main network to meet new firefighting standards, installed emergency water tanks at nine locations and started seismic upgrading of two reservoirs.
- completed wastewater and stormwater network renewals throughout the city.
- introduced a Smart Energy Challenge to stimulate ideas from the brightest.
- had more than 300,000 visitors to Wellington Zoo and Zealandia.

HOW WE PERFORMED

Our gardens, beaches and green open spaces offer good value for money, are highly used by residents and are maintained to a high standard.

Waste disposal and recycling services were well used by residents and we improved the efficiency of our waste disposal service. Council's energy consumption was slightly higher than the previous year but we successfully reduced our environmental footprint.

Our water, wastewater and stormwater networks are very high quality, satisfaction is high and outages are rare. We see a pattern of improved water conservation. Our sewerage network had some issues with contamination of freshwater, which we need to address. Negative impacts from the stormwater network were localised and typically caused by cross-contamination as a result of storms.

We were above target for visitor attendance at our conservation attractions, with a substantial visitor increase at Zealandia.

WHAT IT COST

ACTIVITY COMPONENT	TOTAL COST (\$000)	COST PER RESIDENT PER WEEK
Gardens, beaches and green open spaces	30,411	\$2.92
Waste reduction and energy conservation	11,003	\$1.06
Water	38,064	\$3.66
Wastewater	39,569	\$3.80
Stormwater	17,503	\$1.68
Conservation attractions	5,962	\$0.57
Total environment	142,512	\$13.69

3

Economic development Whanaketanga ōhanga

WHAT WE DO

This is a priority area of focus for the Council. The economic prosperity of the city is closely linked to residents, quality of life. Our city promotions, events and business support activities contribute to the city's economic wellbeing and take a lead in shaping Wellington's future prosperity.

Our activities are closely linked to Grow Wellington's work. Working with other institutions in the region ensures that we use our resources effectively.

OUR ECONOMIC DEVELOPMENT ACTIVITIES CONTRIBUTE TO US BEING

People centred - Our activities make Wellington a vibrant and entertaining place to live. They connect people with places and ideas, make Wellington an attractive place to live and do business, and attract tens of thousands of visitors to the city every year.

Connected - Major events, and our performance spaces and conference venues connect us to artists and events of national and international significance, and Wellington's story is connected to the world by Positively Wellington Tourism's marketing and promotion. Event-based websites and social media platforms are connecting people to what is on and how they can be there.

A dynamic central city - Our events, festivals, spaces and venues anchor Wellington's appeal as a place of creativity, exploration, innovation and excitement. Iconic events such as the World of WearableArt® awards show (WOW), the New Zealand Festival and the International Rugby Sevens are world class and an integral part of our dynamic central city.

WHAT WE ACHIEVED

This year we:

- agreed to partner with the private sector to build a new Convention Centre
- established a \$3 million-a-year fund to support events, initiatives and growth opportunities
- made significant progress with our proposal to merge the region's economic CCOs into one agency
- agreed to contribute \$1 million to the process to extend the airport runway
- promoted Wellington internationally as a destination for business, talent and investment
- helped establish Business Improvement Districts
- hosted WOW, the New Zealand Festival and lots of sports and cultural events.

HOW WE PERFORMED

Our investments in economic development have been very successful. We had more people attending events, more visitors coming to Wellington and more money being injected into the local economy.

WHAT IT COST

ACTIVITY COMPONENT	TOTAL COST (\$000)	COST PER RESIDENT PER WEEK
City promotions and business support	42,143	\$4.05
Total economic development	42,143	\$4.05

4

Cultural wellbeing Oranga ahurea

WHAT WE DO

Our arts activities ensure Wellington builds on its reputation as New Zealand's arts and culture capital by continuing to be home to top-class museums and art galleries, orchestras, dance and theatre companies. A strong arts and culture sector contributes to a diverse economy, a creative identity and connected communities, which is why we live here.

As well as undertaking our own projects, we support the activities of arts organisations through our funding of the Wellington Museums Trust, the Public Arts Fund, the Cultural Grants Pool and the Creative Communities Scheme.

OUR CULTURAL WELLBEING ACTIVITIES CONTRIBUTE TO US BEING

People centred - They shape Wellington's sense of place and identity. They celebrate creativity and ideas and increase our understanding of culture and history. By enabling Wellington's creative communities to thrive, they promote inclusive, tolerant and strong communities.

Connected - They provide ideas and places where people can connect, share and explore what is new and different. They connect the present with the past and future. Events and collaborations connect us with people, places and ideas here and abroad.

A dynamic central city - They enhance Wellington's vibrancy as a diverse city where people want to live work and play.

WHAT WE ACHIEVED

This year we:

- supported arts and cultural festivals including the New Zealand Festival, Matariki, Diwali festival, Sky Show and Summer City
- supported public art projects including light box exhibitions in Cobblestone Park and Courtney Place
- supported regional projects through the Wellington Regional Amenities Fund, such as BATS and Circa theatres and the Capital E Arts Festival for Children.

HOW WE PERFORMED

The numbers of people attending festivals and events was high and their contribution to the city's economy is increasing. This year, the New Zealand Festival contributed \$70 million to the economy and 32% of the 115,000 tickets were sold to people from outside the region.

WHAT IT COST

ACTIVITY COMPONENT	TOTAL COST (\$000)	COST PER RESIDENT PER WEEK
Arts and cultural activities	17,311	\$1.66
Total cultural wellbeing	17,311	\$1.66

5

Social and recreation Pāpori me to kākinakina

WHAT WE DO

Our sporting and recreation facilities encourage people of all ages to engage in activities that help them live more active and healthy lives. Some facilities also attract visitors and raise the city's profile by hosting national and international events.

We support a network of community spaces and libraries to provide a focal point for community activities and programmes. We also support community leadership and advocacy to strengthen community resilience and safety.

By providing social housing, we ensure people's basic needs are met.

We have legislative obligations to maintain public health standards by regulating food and liquor outlets, animals, trade waste and managing environmental noise problems. We also provide public toilets, cemeteries and crematorium services as a vital public health function.

OUR SOCIAL AND RECREATION ACTIVITIES CONTRIBUTE TO US BEING

People centred - Access to recreation opportunities is important for people's health and wellbeing. Our recreation facilities provide a wide range of health and wellbeing benefits to the people who use them.

Connected - They help people and communities connect and engage with each other and foster the exchange of knowledge and ideas through social, physical and virtual networks.

A dynamic central city - They respond to the diversity of individual and community needs and promote a safe and vibrant city for people to live, work and play.

WHAT WE ACHIEVED

This year we:

- started work on the Keith Spry Pool upgrade, which we expect to complete by Summer 2015
- completed a new synthetic sportsfield at Alex Moore Park, improved drainage at Nairnville Park and created a new durable grass surface at Evans Bay Park
- made it easier to access our growing library catalogue
- supported Wellington's vulnerable residents and helped build resilience in local communities
- completed year six of our 20-year social housing upgrade programme. We won several awards for the upgrade programme and our housing management and engagement work.

HOW WE PERFORMED

User satisfaction with most recreation services and facilities has improved, although perception of value for money has declined slightly. Use of our facilities was similar to previous years and has increased in some areas.

Residents' use and satisfaction with our libraries remains high although perceptions of value for money have decreased marginally. Our housing services are very high quality and are highly rated by tenants.

We achieved the majority of our performance targets for maintaining public health and safety standards.

WHAT IT COST

ACTIVITY COMPONENT	TOTAL COST (\$000)	COST PER RESIDENT PER WEEK
Recreation promotion and support	36,107	\$3.47
Community support	52,273	\$5.02
Public health and safety	11,697	\$1.12
Total social and recreation	100,077	\$9.61

6

Urban development Tāone tupu ora

WHAT WE DO

The Council is required to prepare a District Plan under the Resource Management Act 1991. The District Plan is the primary document that manages land use and development.

We look after public spaces, including the waterfront, to enhance people's enjoyment of the city.

Like all cities, we control building and development work according to the provisions of the Building Act, the Resource Management Act and their District Plans.

We also administer the Earthquake-prone Buildings Policy, which sets out processes for identifying earthquake-prone buildings and the requirements for owners to bring them up to standard.

OUR URBAN DEVELOPMENT ACTIVITIES CONTRIBUTE TO US BEING

People centred - They promote the adequacy and safety of our homes and buildings and reduce the risks of injury and damage from earthquakes.

Connected - They connect people with places and make them easy to find and functional.

An eco-city - They promote intensive development rather than sprawl into green spaces and encourage the greening of streets, buildings and places. They promote walking and riding on buses and bikes.

A dynamic central city - They promote accessible and safe places where people want to live, work, and play, and where they can meet to share events and ideas. They encourage a built form and urban culture that reflects the energy and diversity of the people, and they shape a place where ideas, innovation and difference can be expressed and supported.

WHAT WE ACHIEVED

This year we:

- worked on priority projects for the Central City Framework, including Memorial Park
- completed the design for the Cenotaph enhancement and a staircase linking the Cenotaph to Parliament
- continued several enhancement projects through Wellington Waterfront Limited
- signed a housing accord with the Government to increase housing supply and make housing more affordable
- continued earthquake-strengthening Council buildings and completed building assessments of almost all pre-1976 buildings
- used the Built Heritage Incentive Fund to focus on heritage areas in Newtown, Berhampore and John Street.

HOW WE PERFORMED

Periods of high demand and the need to train new staff affected the timeliness of our legislative compliance processes. However, customer satisfaction with our services was good, we retained our Building Consent Authority accreditation, and we achieved or partially achieved all our goals for mitigating earthquake risk. Uptake of the weathertight houses financial assistance package was well below the previous year.

WHAT IT COST

ACTIVITY COMPONENT	TOTAL COST (\$000)	COST PER RESIDENT PER WEEK
Urban development, heritage and public spaces development	15,386	\$1.48
Building and development control	19,634	\$1.89
Total urban development	35,020	\$3.37



Transport Waka

WHAT WE DO

Between 200,000 and 300,000 people use some form of the city's transport network every day, including city residents, commuters and visitors. Wellingtonians are enthusiastic users of public transport and an effective public transport network helps reduce congestion and reduces the city's carbon emissions. A high proportion of residents walk or cycle to work. Our activities include:

- transport planning
- managing the vehicle, passenger transport, pedestrian and cycle networks
- running the traffic control system
- road safety.

We provide about 10% of the parking in central Wellington. This consists mainly of on-street parking with some off-street parking.

OUR CULTURAL WELLBEING ACTIVITIES CONTRIBUTE TO US BEING

People centred - They provide people with accessible and safe transport choices, from their homes to shops, for work, recreation and pleasure, including walkways and bikeways.

Connected - They allow people to connect with people and places in the central city for businesses, work or leisure.

An eco-city - They reflect a commitment to sustainable, safe and efficient transport choices, including walking and biking.

A dynamic central city - They provide for easy and affordable movement to and around the central city, especially by walking. They link people with places, events and activities and with commerce, business and trade.

WHAT WE ACHIEVED

This year we:

- obtained approval from the New Zealand Transport Agency (NZTA) for a comprehensive Johnsonville roading upgrade
- worked in partnership with the NZTA on several state highway projects
- completed investigation and design work for earthquake-strengthening the Hataitai Bus Tunnel
- completed the Tawa Valley walking and cycling path
- transitioned our parking services to an in-house service, which started on 1 July 2014.

HOW WE PERFORMED

We had decreases in resident perceptions of the ease of movement around the city, although peak travel times between the CBD and suburbs were similar to last year. We achieved the majority of our targets for the quality of our transport infrastructure. Parking compliance and demand performance was moderate.

WHAT IT COST

ACTIVITY COMPONENT	TOTAL COST (\$000)	COST PER RESIDENT PER WEEK
Transport	42,337	\$4.07
Parking	11,553	\$1.11
Total transport	53,890	\$5.18



We are meeting social housing needs through our award winning housing upgrade programme in partnership with the Government.



Financial highlights



**\$1.2
million**

underlying net surplus

**\$128
million**

spent on new assets
and renewals

\$5.82

the cost to residents per day

AA

credit rating maintained

**12
of 13**

new financial prudence
measures "met"

Financial summary

The following pages provide a summary of the Council's financial performance. The information has been extracted from the Council's Annual Report for the year ended 30 June 2014.

Financial highlights

- **We achieved an underlying net surplus of \$1.2 million compared to a budgeted breakeven.**

The underlying net surplus / (deficit) is a measure that reflects what the Council collects through rates, investments and other income sources such as fees and charges, and what the Council spends on providing services to the city.

Having a small underlying surplus / (deficit) reflects the Council's commitment to **intergenerational equity**: each generation of ratepayers should pay for the services they consume.

- **Our headline net surplus is \$27.5 million compared to a budgeted \$35.7 million, giving rise to an unfavourable variance of \$8.2 million.**

As reported in the Statement of Comprehensive Financial Performance. The surplus includes grants from central government for capital projects that do not affect rates. The variance is mainly due to the revaluation of investment property - again not impacting on the rates requirement.

- **We met 12 out of 13 new financial prudence measures.**

Central government has introduced new financial "benchmarks" that local bodies need to report against. This shows the Council has acted prudently during the year and within the financial parameters set in our Long-term Plan.

- **We spent \$128.0 million during the year on asset renewals and new assets from a budgeted capital expenditure programme of \$172.5 million.**

This expenditure included roads, swimming pools, social housing, water, wastewater and stormwater networks, parks and open spaces. We spent less than budgeted due to delays in completing swimming pool and social housing improvements and the deferral of earthquake-strengthening the Town Hall. The council is working to improve the alignment of actual to budgeted capital spend.

- **We maintained the Council's AA credit rating.**

This reflects the Council's strong financial state.

- **The Council's debt levels remain low - net debt is \$346 million. We have non-cash investments of \$381 million.**

Summary of Statement of Comprehensive Financial Performance

	COUNCIL			GROUP	
	ACTUAL 2014 \$M	BUDGET 2014 \$M	ACTUAL 2013 \$M	ACTUAL 2014 \$M	ACTUAL 2013 \$M
Total income	451.7	424.4	446.4	456.6	451.7
Total expense (excluding finance expense)	(401.4)	(366.7)	(395.0)	(419.0)	(410.7)
Finance expense	(22.8)	(22.0)	(23.2)	(22.8)	(23.2)
Total operating surplus	27.5	35.7	28.2	14.8	17.8
Share of equity accounted surplus from associates	-	-	-	16.1	12.7
Net surplus before taxation	27.5	35.7	28.2	30.9	30.5
Income tax expense	-	-	-	-	(0.1)
Net surplus for the year	27.5	35.7	28.2	30.9	30.4
OTHER COMPREHENSIVE INCOME					
Revaluations	(45.4)	176.1	-	(47.1)	
Cash flow hedges	9.6	-	13.9	9.6	13.9
Fair value through other comprehensive income	-	-	(0.1)	-	(0.1)
Share of other comprehensive income of associates			-		0.2
Total other comprehensive income	(35.8)	176.1	13.9	(37.5)	14.0
Total comprehensive income / (expense)	(8.3)	211.8	42.1	(6.6)	44.4

The 'Council' column includes Wellington City Council, Wellington Waterfront Project, Wellington Venues Project and joint ventures with Porirua City Council. The 'Group' covers the 'Council' and its interests in associate and subsidiary entities, including Wellington International Airport Limited and Council Controlled Organisations such as Wellington Venues Limited and Capacity. A diagram of the structure of Council and Group can be found in Note 38 of the Financial Statements.

UNDERLYING OPERATING RESULT

The Council's underlying net surplus is \$1.2 million. The underlying net surplus is the sum remaining after removing non-cash items (which don't impact on the funding requirement from ratepayers, ie these items are not included in the calculation to be recovered from rates) and capital items (eg grants and development contributions that are received to fund capital expenditure). Financial reporting standards require the net surplus to include these transactions, which does not give a clear picture of whether the Council has sufficient operating revenue to meet its operating expenditure.

To understand the Council's underlying financial performance, ie whether the Council is operating at an actual surplus or deficit, it is necessary to exclude these non-funded and capital-related transactions from the net surplus of \$27.5 million, as shown in the table below.

	Actual 2014 \$M	Budget 2014 \$M	Variance \$M
Reported net surplus	27.5	35.7	(8.2)
Exclude Non-cash funded items	15.9	14.1	1.8
Exclude revenue for capital items	(39.7)	(42.6)	4.4
Other adjustments	(2.5)	(5.7)	3.2
Underlying surplus	1.2	0	1.2

	\$M
UNBUDGETED REVENUE / (EXPENDITURE):	
Restatement of weathertight homes provision	(2.9)
Insurance costs (net of recoveries) funded through insurance reserve	(1.1)
Total unbudgeted revenue/expenditure	(4.0)
SIGNIFICANT VARIATIONS FROM BUDGET	
Decrease in rates revenue	(0.5)
Decrease in income from activities	(1.1)
Dividends in excess of budget (including Wellington International Airport Limited)	2.2
Decrease in net interest expense	1.8
Decrease in depreciation	1.2
Other net variances	1.6
Total significant variations from budget	5.2
Council underlying variance excluding ring-fenced amounts	1.2

NET SURPLUS¹

The Net Surplus is the difference between the expenses the Council incurred during the year and the income the Council received.

The Council recorded a net surplus of \$27.5 million, which was \$8.2 million less than the budgeted net surplus of \$35.7 million. The key reasons for this variance are summarised in the preceding table.

OTHER COMPREHENSIVE FINANCIAL PERFORMANCE

The Statement of Comprehensive Financial Performance also includes the impact of revaluation of property, plant and equipment and other fair value adjustments. While not impacting on the Council's funding requirement they do have an impact on equity.

This year, the Council undertook its triennial revaluation of its infrastructural assets, which include water, wastewater, stormwater and roading assets. The 2013/14 Annual Plan budgeted for an increase of \$176.1 million from this revaluation. The actual revaluation of these assets resulted in a decrease in asset values of \$45.4 million due to the following factors:

- the valuation on the replacement of assets with more modern technologies mean that it is cheaper to replace existing assets than it was during the previous revaluation calculation, and
- during the year, the Council also undertook a comprehensive review of its asset information to improve the accuracy and detail of its infrastructure asset management plans.

The reduction in asset values caused by revaluation are non-cash. They restate the asset values into current dollar value after taking into account asset condition and the remaining life of the asset. The revaluation reduction is a minor adjustment in the overall value of the Council's assets, which equals to 0.7% of the total fixed asset value of \$6.5 billion. The decrease in the asset revaluation is offset by an increase in value of the cash flow hedges of \$9.5 million.

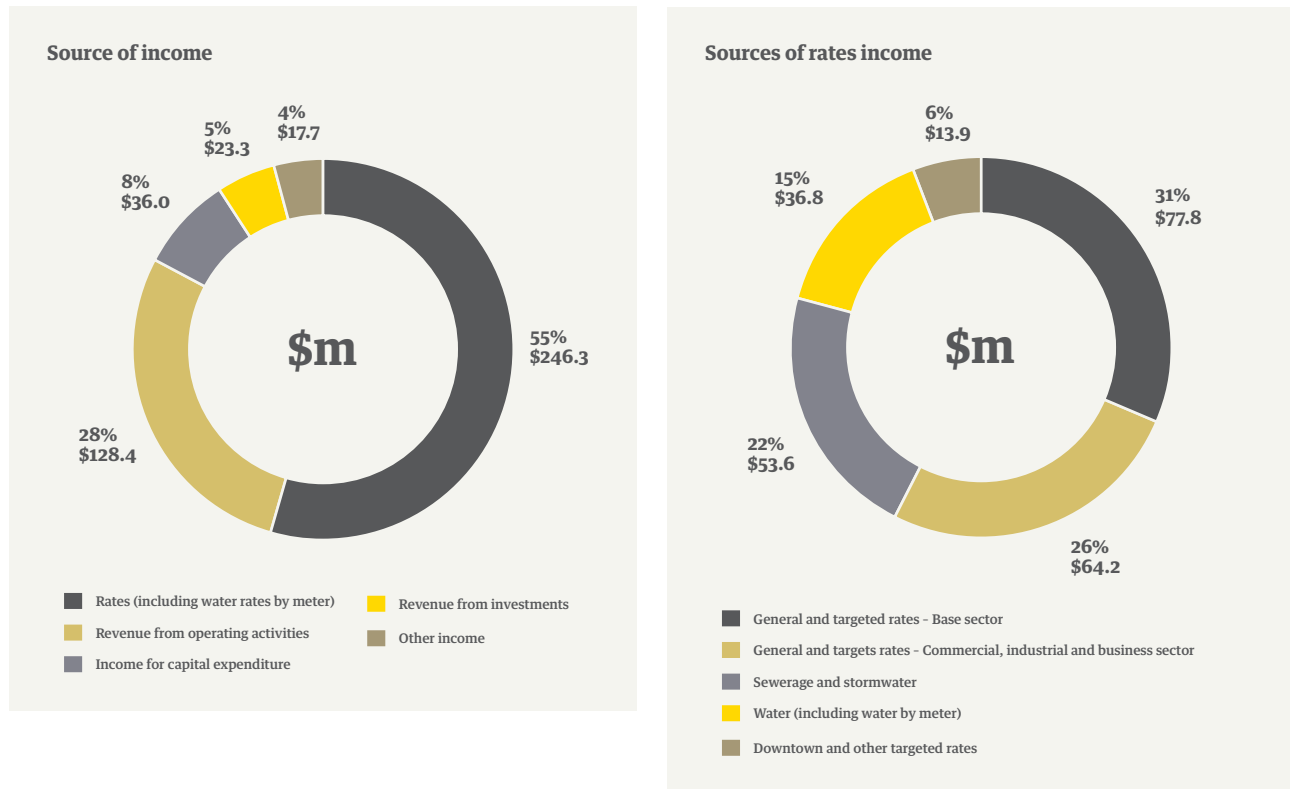
As a result of these non-cash movements, the Council has ended the financial year with a Comprehensive Expense of \$8.3 million, which reduces the Council's overall equity by approximately 0.1%. This is explained further in the Summary Financial Position and Summary Changes In Equity sections of this summary.

1. Annual Report, Statement of Comprehensive Financial Performance

INCOME

The Council received total income of \$451.7 million during the year compared to a budget of \$424.4 million. The variance is largely due to unbudgeted revenue arising from Vested Assets, Wellington Waterfront Projects, Wellington Venues and a share in joint ventures with Porirua City Council.

Rates are the main source of funding for the Council, with revenue from operating activities, which includes user fees, being the next largest source. Other sources of income for the Council include income for capital expenditure, income from interest and dividends.



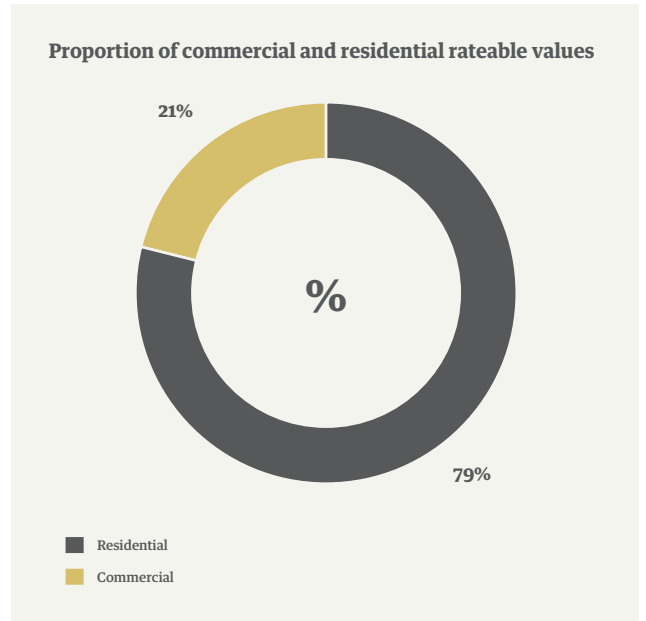
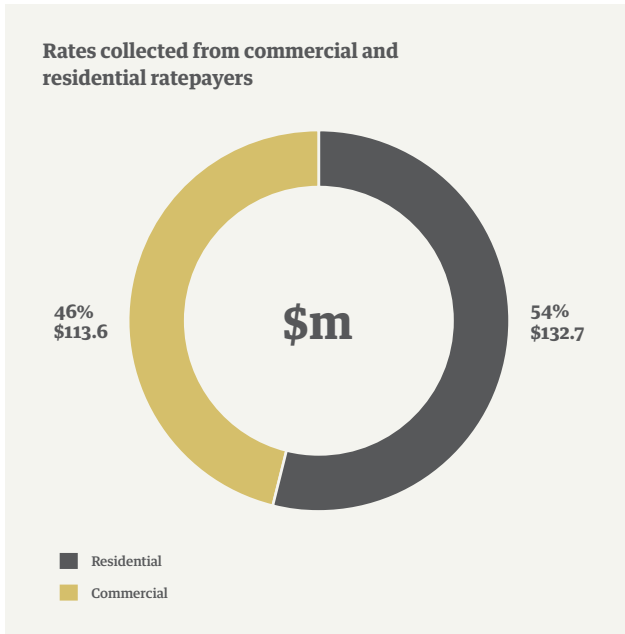
The Council received \$246.3 million of income from rates.²

Rates income includes general rates levied on properties and a range of targeted rates including water, stormwater and sewerage rates, along with sector and area based rates.

General rates revenue is collected based on property rateable values. The Council currently applies a general rates differential of 2.8:1. This means that commercial properties pay 2.8 times more general rates per dollar of rateable value than non-commercial properties.

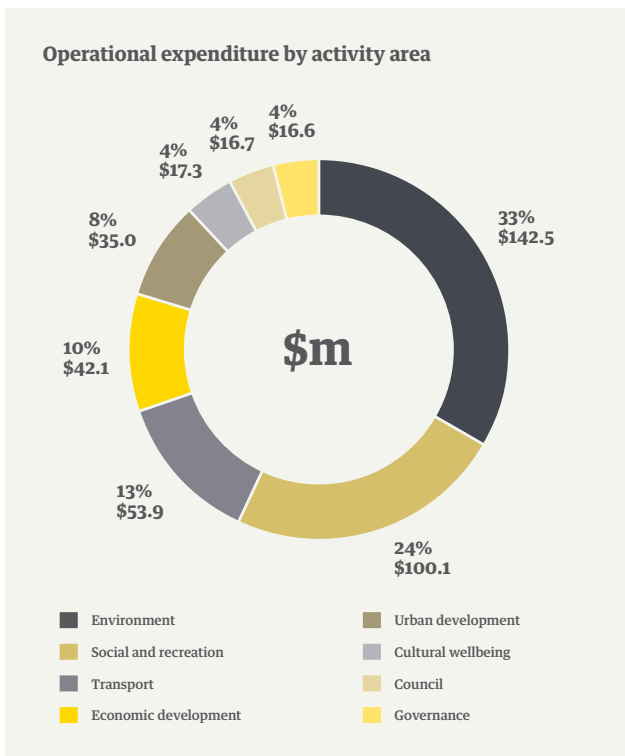
2. Annual Report, Notes to the financial statements, Note 1: Revenue from rates

This impact on the value of total rates collected from each sector as shown in the graphs below.



EXPENSES³

The total expenses incurred by the Council during the year were \$424.2 million, which represents the cost of running the city during the year. The activities of the Council are divided into seven activity areas:



3. Annual Report, Statement of Comprehensive Financial Performance

Governance includes community engagement, Council elections and meetings.

Environment includes water supply, stormwater and sewerage, landfills and Kiwi Point Quarry. Also includes maintaining and protecting parks, botanic gardens, coastlines and open spaces.

Economic development includes supporting and attracting major events and promoting Wellington overseas and locally.

Cultural wellbeing includes support of the Wellington Museums Trust and events in the city, Wellington City Archives and Toi Pōneke.

Social and recreation includes the libraries network, swimming pools, recreation centres, cemeteries, social housing, marinas, sportsfields, playgrounds and skate parks.

Urban development includes assessing building consent and resource consent applications, providing funding for heritage buildings and to develop streets and other public areas.

Transport includes maintaining and developing the city's transport networks and providing on-street parking spaces.

The table below shows the cost per Wellington resident⁴ per day for each activity area.

COST PER ACTIVITY AREA PER RESIDENT PER DAY

ACTIVITY AREA	TOTAL COST (\$M)	COST PER RESIDENT PER YEAR \$	COST PER RESIDENT PER DAY \$
Governance	16.6	83	0.23
Environment	142.5	712	1.95
Economic development	42.1	210	0.58
Cultural wellbeing	17.3	86	0.24
Social and recreation	100.1	500	1.37
Urban development	35.0	175	0.48
Transport	53.9	269	0.74
Council	16.7	83	0.23
	\$424.2	\$2,118	\$5.82

DECIDING WHO PAYS

When the Council is deciding how to fund an activity (whether to use rates, user charges or other sources of income), we consider:

- **community outcomes** that the activity contributes to
- **who benefits** - individuals, identifiable parts of the community, or the community as a whole
- the **timeframe** in which the benefit occurs - for example, an asset that lasts for several generations will generally be funded initially through borrowing - with ratepayers paying their share each year by funding depreciation on the asset (which pays off borrowing), so that everyone who benefits, present and future, contributes.

The Council's Revenue and Financing Policy sets out how each activity will be funded based on these criteria.

The policy is available on our website Wellington.govt.nz

4. Estimated city population to be 200,100 by Statistics New Zealand

Summary of Statement of Financial Position

The Summary Statement of Financial Position shows what we own (our assets), what we owe (our liabilities) and our net worth (represented by equity).

	COUNCIL			GROUP	
	ACTUAL 2014 \$M	BUDGET 2014 \$M	ACTUAL 2013 \$M	ACTUAL 2014 \$M	ACTUAL 2013 \$M
Current assets	123.9	59.5	110.5	131.8	120.3
Non-current assets	6,783.2	7,028.3	6,800.7	6,945.8	6,961.0
TOTAL ASSETS	6,907.1	7,087.8	6,911.2	7,077.6	7,081.3
Current liabilities	235.3	218.6	265.5	240.3	271.7
Non-current liabilities	331.8	298.8	297.4	333.2	298.9
TOTAL LIABILITIES	567.1	517.4	562.9	573.5	570.6
TOTAL EQUITY/ NET ASSETS	6,340.0	6,570.4	6,348.3	6,504.1	6,510.7

ASSETS AND CAPITAL EXPENDITURE

The Council's major assets include:

- property, plant and equipment (including land, buildings, pipes, roads and other infrastructure assets) - \$6,536.0 million
- other assets (including investment properties and investments in subsidiaries and associates) - \$371.2 million

During the year, \$128.0 million was spent on replacing, constructing and purchasing assets across the city. This contributed to the closing value of property, plant and equipment, which was \$44.5 million lower than the budget of \$172.5 million included in the Annual Plan (inclusive of budgets carried forward from the previous year).

The main contributors to this variance were the deferral of earthquake strengthening of the Town Hall, deferral in the expansion of the city landfill and delays in the upgrade of the Keith Spry Pool and social housing projects. The Council proposes to carry forward \$14.9 million of the total underspend for projects that are now scheduled to be completed in 2014/15. Expenditure on the remaining uncompleted projects will be reconsidered as part of the 2015-25 Long-term Plan.

LIABILITIES

The Council has prudently managed its borrowings to ensure it meets the specified requirements in its Long Term Financial Strategy. Net borrowings at 30 June 2014 were 84% of income, which is below the Councils operating target of 105% and significantly less than the Council's 150% prudential limit.

The Council's major liabilities include:

- gross borrowings - \$419.1 million⁵
- other liabilities (including trade and other payables) - \$148.0 million.

The Council uses borrowings to fund the purchase or construction of new assets or upgrading existing assets that are approved through the Annual Plan and Long-term Plan process.

5. Annual Report, Notes to the financial statements, Note 21 Borrowings

NET BORROWINGS

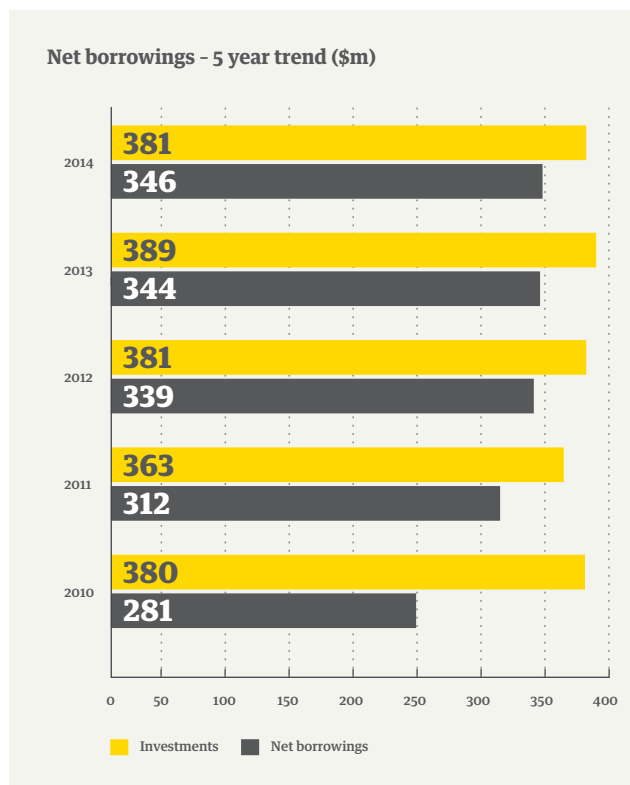
Net borrowings are the total borrowings less any cash and cash equivalents and current deposits.⁶

The total borrowings of \$419.1 million,⁷ less the balance of cash and cash equivalents and current deposits of \$72.6 million, results in a net borrowings balance of \$346.5 million at 30 June 2014.

This year, net borrowings increased by \$2.6 million. At 30 June 2014, net borrowings were \$26.6 million less than budgeted in the 2013/14 Annual Plan. The difference is due to changes in the timing of capital projects and savings in capital expenditure.

INVESTMENT POSITION

The Council continues to maintain a strong investment position when compared with the level of borrowings. The graph below compares the balance of investments and net borrowings over the last five years.



The value of investments primarily relates to investment properties, our share of the net assets of our associates (including Wellington International Airport Limited) and other financial assets.

6. Annual Report, Notes to the financial statements, Note 10 Cash and Cash Equivalents

7. Annual Report, Notes to the financial statements, Note 21 Borrowings

Summary of Statement of Cash flows

The summary cash flow statement shows how we generated and used cash during the year.

	COUNCIL			GROUP	
	ACTUAL 2014 \$M	BUDGET 2014 \$M	ACTUAL 2013 \$M	ACTUAL 2014 \$M	ACTUAL 2013 \$M
Net cash flows from operating activities	127.9	123.6	127.0	127.7	128.2
Net cash flows from investing activities	(130.3)	(132.7)	(111.3)	(131.9)	(110.7)
Net cash flows from financing activities	10.5	9.1	6.1	10.5	6.1
Net increase/(decrease) in cash and cash equivalents	8.1	-	21.8	6.3	23.6

Our operating activities generate cash inflows and the primary source is from rates and user charges. Most of the net cash inflows from these operating activities, as well as new borrowings (financing activities), are used to purchase and develop assets around the city (investing activities).

Summary of Statement of Changes in Equity

This section explains the Council's financial position, focussing on its net worth (equity), capital expenditure and debt.

	COUNCIL			GROUP	
	ACTUAL 2014 \$M	BUDGET 2014 \$M	ACTUAL 2013 \$M	ACTUAL 2014 \$M	ACTUAL 2013 \$M
Equity at the beginning of the year	6,348.3	6,358.6	6,306.3	6,510.7	6,466.2
Net surplus for the year	27.5	35.7	28.2	31.0	30.4
Other comprehensive income / (expense)	(35.8)	176.1	13.8	(37.6)	14.1
Total comprehensive income/(expense) for the year	(8.3)	211.8	42.0	(6.6)	44.5
EQUITY - CLOSING BALANCES					
Accumulated funds and retained earnings	4,953.6	4,986.0	4,923.0	5,005.0	4,970.9
Revaluation reserves	1,372.0	1,593.8	1,417.3	1,482.0	1,529.1
Hedging reserve	(0.4)	(23.9)	(10.0)	(0.4)	(10.0)
Fair value through other comprehensive income reserve	0.1	0.6	0.1	0.1	0.1
Restricted funds	14.7	13.9	18.0	17.4	20.6
Total Equity - closing balance	6,340.0	6,570.4	6,348.4	6,504.1	6,510.7

Net worth is the difference between the Council's total assets and the total liabilities. Net worth is represented in the financial statements by the balance of equity.

At 30 June 2014, the Council's net worth was \$6,340.0 million, a decrease of \$8.3 million or 0.1% from the previous year. The main factors influencing the change in net worth are the decrease in asset values as a result of infrastructure revaluation and the fair value increase in the Councils cash flow hedges.⁸

8. Annual Report, Notes to the financial statements, Note 26 Hedging reserve

Wellington's green city credentials are increasing with a drop in water consumption, an increase in renewable energy generation and less waste going into our landfills.





Independent Auditor's Report

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

To the readers of Wellington City Council and group's summary annual report for the year ended 30 June 2014

The summary annual report was derived from the annual report of the Wellington City Council (the City Council) and group for the year ended 30 June 2014. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 8 to 15, 20, 25 and 27:

- the summary statement of financial position as at 30 June 2014;
- the summaries of the statement of comprehensive financial performance, statement of changes in equity and statement of cash flows for the year ended 30 June 2014;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary of the City Council and group's statement of service provision.

We expressed an unmodified audit opinion on the City Council and group's full audited statements in our report dated 27 August 2014.

Opinion

In our opinion:

- the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with FRS 43 (PBE): Summary Financial Statements.

Basis of opinion

Our audit was carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand), and in particular with the International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements. These standards require us to carry out procedures to confirm whether the summary annual report contains the information necessary, and at an appropriate level of aggregation, so as not to be misleading.

The summary statements and the full audited statements from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 27 August 2014 on the full audited statements.

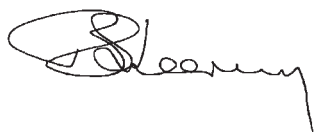
The summary statements do not contain all the disclosures required for full audited statements under generally accepted accounting practice in New Zealand. Reading the summary statements, therefore, is not a substitute for reading the full audited statements in the annual report of the City Council and group.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report so that it represents, fairly and consistently, the information regarding the major matters dealt with in the annual report. This includes preparing summary statements, in accordance with FRS 43 (PBE): Summary Financial Statements. The Council is also responsible for the publication of the summary annual report, whether in printed or electronic form.

We are responsible for expressing an opinion on whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report and whether the summary statements comply with FRS 43 (PBE): Summary Financial Statements.

In addition to reporting on the summary annual report, we have reported on the full annual report, and carried out a review of the revenue and expenditure of the Clifton Terrace car park managed by the City Council on behalf of the New Zealand Transport Agency. Since 30 June 2014 we have commenced a review of the Council's process to select providers for the proposed Wellington Regional ICT Infrastructure Shared Services. Other than this reporting and these assignments, we have no relationship with or interests in the City Council or any of its subsidiaries.

A handwritten signature in black ink, appearing to read 'Bede Kearney', with a stylized flourish at the end.

BEDE KEARNEY

Audit New Zealand
On behalf of the Auditor General

Wellington, New Zealand
26 September 2014

This summary report, extracted from our 2013/14 Annual Report, does not provide as complete an understanding of the Council's activities as the full document. Copies of the Annual Report 2013/14 are available at the Council Offices, 101 Wakefield St, Wellington or at Wellington.govt.nz. The Annual Report, adopted on 27 August 2014, contains detailed information about our finances and service performance. Audit NZ has audited the full Annual Report and issued an unmodified opinion. This summary has been prepared in accordance with FRS-43 (PBE) and examined by Audit NZ for consistency with the full Annual Report.

Wellington City Council is a public benefit entity for financial reporting purposes. The financial statements within the Annual Report have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (GAAP) and comply with NZ IFRS PBE as appropriate for public benefit entities. The financial statements include a Statement of Compliance to this effect. The financial statements are denominated in New Zealand Dollars.

