
Wellington City Council 2016/17 Summary Annual Report



Copies of the full Annual Report 2016/17 are available at the Council offices, 101 Wakefield Street, libraries, or at wellington.govt.nz

The Local Government Act, Section 98 (4) requires the Council, within 1 month after the adoption of its annual report, to make publicly available a summary of the annual report. The Council has not met this requirement.

Wellington City Council is a public benefit entity for financial reporting purposes. The financial statements within the Annual Report were prepared in accordance with and comply with New Zealand Generally Accepted Accounting Principles (GAAP)

and comply with Public Sector Public Benefit Entity Accounting Standards (PBE accounting standards) for a Tier 1 entity. The financial statements are denominated in New Zealand dollars.

Published by Wellington City Council,
101 Wakefield Street, Wellington, New Zealand.

Printed on paper sourced from sustainable forests.

Photo credits: Tony Stoddard: cover image
Other images: Neil Price and Justine Hall for Wellington City Council.

Welcome to our summary of the Annual Report 2016/17

Each year, local authorities are required to deliver an annual report that includes a set of audited financial statements. Our Annual Report 2016/17 was adopted on 27 September 2017. This is a summary document and does not provide as complete an understanding of our activities as the full report.

Our focus over the past 12 months has been on sustainable growth and realising our economic potential. As our population grows, we've started investing in new and affordable housing, in a balanced transport network, and in stronger infrastructure. In the wake of the Kaikoura earthquake, we've made resilience a priority. And we've initiated several projects and initiatives that will help us grow as a cultural capital.

Our goal is to do things in a way that delivers the best value for money. We aim to achieve this by working better and smarter, and by working with others, to deliver both our core services and additional initiatives that will help us deliver our vision.



JUSTIN LESTER
Mayor
27 September 2017



KEVIN LAVERY
Chief Executive
27 September 2017



ANDY MATTHEWS
Chief Financial Officer
27 September 2017

Who we are

The Council is a representative democracy. Our role is to determine the public interest and decide on areas of priority for the good of the city and its people. Under the Local Government Act 2002, our statutory roles are:

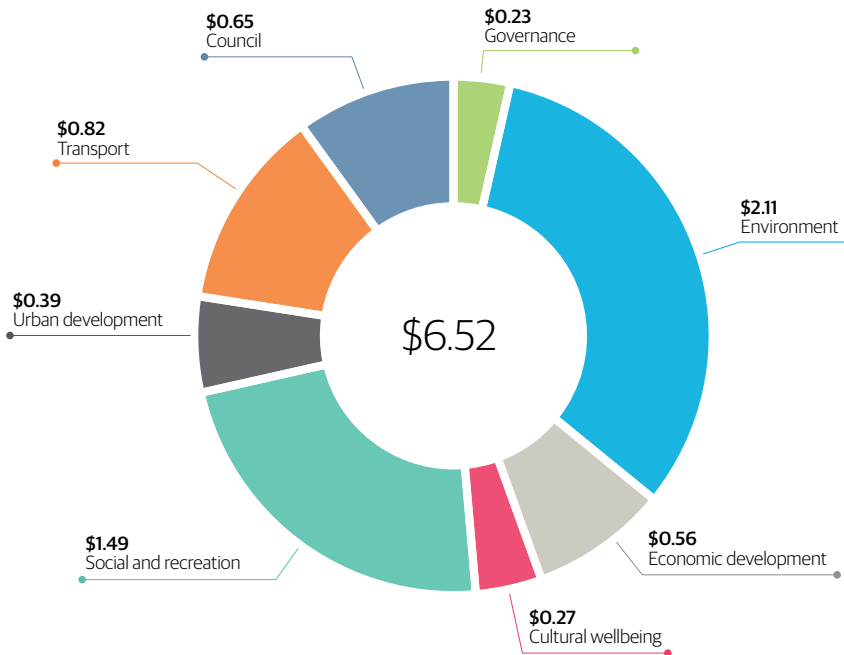
- to enable democratic local decision-making and action by, and on behalf of, communities
- to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is cost-effective for households and businesses.

Council elections are held every 3 years. The last election was held in October 2016 and the next will take place in October 2019.

We look after more than \$7 billion of assets in the city. We manage many areas - from parks and cemeteries to parking and pools, from water supply and waste management to cycleways and animal control. We also actively support the city's economic growth and cultural development through a range of projects and initiatives.

Residents pay an average of \$6.52 per day for these services. That roughly equates to what residents pay per day individually for petrol, power, phone or internet. Given the breadth of our services, this is good value for money.

Cost per resident per day



We have seven key areas:

Governance - We aim to build trust and confidence by being open, transparent, and accountable.

Environment - We aim to protect and enhance Wellington's natural environment.

Economic development - We aim to support economic growth to enhance quality of life.

Cultural wellbeing - We aim to strengthen and promote Wellington's unique cultural identity.

Social and recreation - We aim for strong, healthy communities.

Urban development - We aim for a compact, resilient and attractive city.

Transport - We aim to efficiently connect people and places.

Our governance structure consists of the Council and its committees, which are designed to enable elected members to perform their governance roles effectively and to ensure the democratic process operates smoothly.

The Council is made up of 14 elected Councillors and a Mayor. Our Mayor is elected by the city's residents. The Councillors are elected by voters from whichever of the five wards they represent.

The Chief Executive is supported by more than 1500 staff members and leads the implementation of the Council's decisions and effective delivery of Council services, activities, and key projects.

The Council is a representative democracy. Our role is to determine the public interest and decide on areas of priority for the good of the city and its people.



Highlights for the year

Performance summary - overview of all activity areas

We use outcome indicators to monitor our city over time, which provide information on trends that may influence our performance, including those things outside our control. We use performance measures to track how well we are delivering services against targets that are set out in the Long-term Plan and Annual Plans.

The following key is used to summarise our performance results against target:



Achieved

Target has been met or exceeded



Substantially achieved

Performance within 5 percent of target



Not achieved

Target not achieved by greater than 5 percent



No result

The measure was not surveyed, no result or no target

The overall number of performance measure results against target were:



75



21



37



5

In summary:

- Of the 138 performance measures we report against, 55 percent improved or were maintained and 41 percent were lower than last year (4 percent were not applicable as measures were changed or not recorded).
- Of the outcome indicators we monitor, 40 percent improved or were maintained in the 2016/17 year and 36 percent were lower than last year's result, 23 percent of results were non-comparable.

Pārongo ā-tāone

Governance

Performance summary



4



2



4



-

Compared to last year, eight performance measures improved or were maintained and two dropped. The areas of underperformance relate to timeliness of Council agendas, website navigation, Contact Centre response times, and low levels of Māori satisfaction in relation to their involvement in decision-making.

NET OPERATING EXPENDITURE (\$000)	2014/15 ACTUAL	2015/16 ACTUAL	2016/17 ACTUAL	2016/17 BUDGET	2016/17 VARIANCE
GOVERNANCE	15,276	15,497	16,153	17,823	1,671

CAPITAL EXPENDITURE (\$000)	2014/15 ACTUAL	2015/16 ACTUAL	2016/17 ACTUAL	2016/17 BUDGET	2016/17 VARIANCE
Unspent portion of budget brought forward from prior years					
Annual Plan budget amount 2016/17				116	
GOVERNANCE	-	-	-	116	116

Key activities

City governance and engagement
 Civic information
 City Archives
 Māori and mana whenua partnerships

Key achievements and challenges

- **Information.** We released a pre-election report before the 2016 local elections. The report provided a “plain English” overview of the Council’s budget position and key challenges facing both the Council and the city in the coming years.

- **Local body elections.** We ran the October 2016 local body election for Wellington. We included extensive use of te reo Māori as part of our election campaign to encourage Māori enrolment and voting. Overall, voter turnout in the 2016 election was 45.6 percent, up from 41.1 percent in the 2013 election.
- **Three-year work programme (Triennium Plan).** Shortly after the election and induction process, the Mayor and Councillors held the Wellington Summit. Here they identified goals and a draft work programme for the remainder of the 3-year period. The Triennium Plan will be used to guide the development of the Long-Term Plan 2018-28 and budgets
- **Contact Centre.** The Contact Centre responded to 292,222 calls and 26,631 emails. Altogether, 71 percent of all calls were answered within 30 seconds and 98 percent of emails within 24 hours. Staff shortages had some impact on performance.
- **Digitisation of information.** We’ve continued with our programme of digitising information for the public, with a particular focus on property information relating to buildings affected by the earthquake. We have also put a large number of digitised photographs online to improve customer access, and sent selected archives to off-site storage to make space.
- **New Memorandum of Understanding (MoU).** The Council signed a new MoU with its iwi partners. As part of this agreement, a senior leaders’ forum was created with senior and elected representatives from both sides.

Taiao

Environment

Performance summary



Compared to last year, 22 performance measures improved or were maintained, 19 dropped and two were not applicable. The areas of underperformance relate to satisfaction with the quality of street cleaning, with waste collection services and stormwater management, response times for non-urgent call-outs relating to water, as well as a drop in visitors to the Botanic Gardens.

NET OPERATING EXPENDITURE (\$000)	ACTUAL 2014/15	ACTUAL 2015/16	ACTUAL 2016/17	BUDGET 2016/17	VARIANCE 2016/17
ENVIRONMENT	122,726	120,392	132,545	142,560	10,015

We were under budget due to revenue for contaminated soil and special waste to the landfill, as well as other landfill levies being well in excess of budget: due to savings on some projects through contract prices being favourable to budget, unspent contingencies as well as some project delays. This was partially offset by bringing forward work on the Prince of Wales Reservoir (Ōmaroro) and work on the Community Infrastructure Resilience projects.

CAPITAL EXPENDITURE (\$000)	ACTUAL 2014/15	ACTUAL 2015/16	ACTUAL 2016/17	BUDGET 2016/17	VARIANCE 2016/17
Unspent portion of budget brought forward from prior years				2,035	
Annual Plan budget amount 2016/17				38,398	
ENVIRONMENT	32,644	36,901	40,982	40,433	(549)

We were over budget due to the unbudgeted purchase of the Forest of Tane - this purchase was approved by the Council in February 2017. Additional costs for the Discovery Garden were offset by external fundraising income, and overspends for Zoo upgrades and renewals projects were funded by unbudgeted external revenue from Wellington Zoo.

Key activities

Environmental management
Waste reduction and energy conservation
Supply services - the three waters
Conservation attractions

Key achievements and challenges

- **Harbour Escarpment Walkway.** We completed stage one of the Harbour Escarpment Walkway from Waihinahina Park through Gilbert Bush Reserve to the south end of Tamworth Crescent in Newlands.
- **Reserve land.** Reserves agreements that were negotiated with developers in the northern suburbs resulted in 43 hectares of new public reserve land last year, all with landscape, ecological, and recreation value.
- **Predator Free Wellington Project.** We launched the project and undertook monitoring on the Miramar Peninsula. We also began planning for the first stage, which will see the removal of rats, possums, and other predators from the peninsula.
- **Waste and recycling.** We diverted 18,000 tonnes of waste from the landfill, which was above target.
- **Regional Waste Management and Minimisation Plan (WMMP).** Councils in the region adopted a joint Waste Management and Minimisation Plan.
- **Climate change.** We ran the Low Carbon Challenge, which resulted in \$115,000 being raised to support five start-up companies, of which \$90,000 was raised privately.

- **Home energy saver.** The Sustainability Trust completed 489 home energy assessments. Following these assessments, homeowners accessed subsidies for 377 energy efficiency products.
- **Warm up Wellington.** We insulated 50 homes in partnership with EECA, Hutt Mana Charitable Trust, and the Sustainability Trust.
- **Network performance.** The three-water network performed well during the November earthquake. While repairs were required on some parts of the network, these were localised and there was no widespread or significant damage.
- **Water Supply Resilience Strategy.** The strategy was approved by all councils in the Wellington region and will inform a 30-year investment strategy to make the network more resilient. Priority work and key investment decisions will be made as part of the Long-term Plan 2018-28 process.
- **Reservoirs.** The Tawa Reservoir seismic strengthening project was restarted with modified designs following the recent earthquake and physical work is in progress.
- **Delivering core services.** We delivered 13,924 million litres of safe drinking water to 144,000 connections.
- **Stormwater upgrades.** The Kilbirnie stormwater upgrade project continued with the completion of preliminary design for a new pumpstation and pipeline along Evans Bay Road. Detailed design of the pipeline section is under way, with construction planned for early 2018.
- **Wellington Zoo.** The total number of visitors to the Zoo was 230,632. The Zoo achieved carboNZero certification for the fifth year in a row. The Zoo's walk-through kea aviary was opened, signalling the completion of the 10-year Zoo Capital Programme.
- **Zealandia.** Total visitors to Zealandia for the year remained relatively unchanged at 125,179. The Karori Sanctuary Trust recorded its first operating surplus after depreciation and before the loss on the Visitor Centre of \$87,670.

Whanaketanga ōhanga

Economic development

Performance summary



3



-



1



-

Compared to last year, one performance measure improved or was maintained and three dropped.

The area of underperformance relates to maintaining WREDA funding budgets.

NET OPERATING EXPENDITURE (\$000)	ACTUAL 2014/15	ACTUAL 2015/16	ACTUAL 2016/17	BUDGET 2016/17	VARIANCE 2016/17
ECONOMIC DEVELOPMENT	26,454	23,655	27,892	26,666	(1,226)
CAPITAL EXPENDITURE (\$000)	ACTUAL 2014/15	ACTUAL 2015/16	ACTUAL 2016/17	BUDGET 2016/17	VARIANCE 2016/17
Unspent portion of budget brought forward from prior years				749	
Annual Plan budget amount 2016/17				7,011	
Budget reallocation 2016/17				3,995	
ECONOMIC DEVELOPMENT	2,268	1,669	886	11,755	10,869

We were under budget due to the delays in the Convention Centre project and venues renewals (St James, TSB and Town Hall).

Key activities

City promotions and business support

Key achievements and challenges

- **Post-earthquake business support.** We worked closely with the Government in response to the November earthquake, and secured a support package that gave businesses \$500 per full-time employee, and \$300 per part-time employee per week.
- **Major events.** An estimated 15,000 visitors from outside the region came to Wellington for the 2017 DHL New Zealand Lions Series. A total of \$55.6 million was spent in Wellington by international visitors in June 2017 - a net gain of \$16.7 million on June 2016. Over the year, international visitor spending rose by 9.8 percent, surpassing \$800 million for the first time.
- **The World of WearableArts Awards Show (WOW)** was again a great success and, with an extra show in this season's run, attracted record audiences. Out-of-region visitation was again very strong; 71 percent of the total audience came from outside the Wellington region. This equated to about 41,000 visitors, and an estimated economic contribution of \$25.2 million.
- **City promotion.** Destination marketing was run in Australia supporting airline routes to Wellington from Melbourne, Brisbane and the Gold Coast. The first flight on Singapore Airlines' new "Capital Express" route arrived in Wellington on 21 September from Singapore.
- **Conventions and events.** Wellington's national market share of business events continues to grow, increasing 3 percent in the financial year. Wellington now hosts 22 percent of New Zealand's multi-day business event.

Oranga ahurea

Cultural wellbeing

Performance summary



2



-



4



1

Compared to last year, three performance measures improved or were maintained, three dropped and one was not applicable. The areas of underperformance relate to grants funds, outcomes delivered and the percentage of successful first-time applicants.

NET OPERATING EXPENDITURE (\$000)	ACTUAL 2014/15	ACTUAL 2015/16	ACTUAL 2016/17	BUDGET 2016/17	VARIANCE 2016/17
CULTURAL WELLBEING	18,057	18,367	19,877	19,670	(207)
CAPITAL EXPENDITURE (\$000)	ACTUAL 2014/15	ACTUAL 2015/16	ACTUAL 2016/17	BUDGET 2016/17	VARIANCE 2016/17
Unspent portion of budget brought forward from prior years				103	
Annual Plan budget amount 2016/17				9,275	
Budget reallocation 2016/17				(3,995)	
CULTURAL WELLBEING	2,371	1,968	1,286	5,382	4,096

We were under budget due to the Movie Museum project delays - we continue to work with The Movie Museum Ltd to finalise the design of the museum and the building. Construction is expected to commence in 2018 following the completion of the legal agreements and detail designs.

Key activities

Arts and cultural activities

Key achievements and challenges

- The Wellington Museums Trust (trading as Experience Wellington).** Experience Wellington manages most of the Council's arts and cultural assets, which this year achieved record aggregate visitation of 780,414, an increase of 13.4 percent on last year. It also raised \$4.8 million, or 40.7 percent of the revenue required to deliver its visitor experiences. This is \$1.2 million more than in 2015/16.
- Toi Pōneke Arts Centre.** Toi Pōneke Gallery delivered a range of exhibitions during the year, including James Gilbert Milne's *The Four Fingered Fandango*, Petra Stueben's *The Hereafter and the Here Now Part II*, Caroline Earley and Kate Walker's *Certain Ways*, and Justine Walker's *For Sale: Baby Shoes, Never Worn*.
- Te Papa.** The Council provides funding support to Te Papa, which recorded 1,578,292 visits in the 12-month period. The numbers were driven both by the Gallipoli exhibition and *Bug Lab*, both collaborations between Te Papa and Weta Workshop.

Pāpori me te hākinakina

Social and recreation

Performance summary



23



7



9



-

Compared to last year, 21 performance measures improved or were maintained and 18 dropped. The underperformance relates to satisfaction with and utilisation of sportsfields, as well as alcohol inspections at premises.

NET OPERATING EXPENDITURE (\$000)	ACTUAL 2014/15	ACTUAL 2015/16	ACTUAL 2016/17	BUDGET 2016/17	VARIANCE 2016/17
SOCIAL AND RECREATION	50,744	52,172	57,058	54,820	(2,238)

CAPITAL EXPENDITURE (\$000)	ACTUAL 2014/15	ACTUAL 2015/16	ACTUAL 2016/17	BUDGET 2016/17	VARIANCE 2016/17
Unspent portion of budget brought forward from prior years				7,207	
Annual Plan budget amount 2016/17				42,471	
SOCIAL AND RECREATION	29,186	26,269	30,186	49,679	19,493

We were under budget mainly due to delays in the upgrade of the Johnsonville Library and to the Housing Upgrade Programme work at the Arlington complex.

Key activities

Recreation, promotion and support
Community participation and support
Public health and safety

Key achievements and challenges

- **Swimming pools.** A total of 1,318,555 swimming pool visits were recorded during the year. This is 17,855 or 1.4 percent more than in the previous 12 months.
- **Recreation centres.** A total of 1,223,588 people used our recreation facilities during the year. This is 146,015 or 13.6 percent more than the previous year.
- **Recreation support.** We ran sport and physical activity sessions for over 3000 young women through the Shift programme and partnered with organisations in Upper Hutt, Hutt City, and Porirua City to expand the programme regionally.
- **Earthquake response.** Key work delivered included opening a number of emergency activation centres both in response to the November flood as well as the earthquake. We worked closely with the Government and secured a support package that gave businesses \$500 per full-time employee and \$300 per part-time employee per week.
- **Resilience Strategy.** We launched our Resilience Strategy, which includes key projects that we are working to deliver in partnership with WREMO.
- **Housing Taskforce.** A housing taskforce was established to provide options to increase Wellington's housing supply. The Taskforce has made a series of recommendations, which we will consider as part of the Long-term Plan 2018-28 process.





Tāone tupu ora

Urban development

Performance summary



12



3



3



-

Compared to last year, 12 performance measures improved or were maintained and six dropped. The areas of underperformance relate to the percentage of residents who agree that local suburban centres are lively and attractive, and the timeliness of building consents.

NET OPERATING EXPENDITURE (\$000)	ACTUAL 2014/15	ACTUAL 2015/16	ACTUAL 2016/17	BUDGET 2016/17	VARIANCE 2016/17
URBAN DEVELOPMENT	13,499	15,682	15,882	16,305	423

CAPITAL EXPENDITURE (\$000)	ACTUAL 2014/15	ACTUAL 2015/16	ACTUAL 2016/17	BUDGET 2016/17	VARIANCE 2016/17
Unspent portion of budget brought forward from prior years				5,154	
Annual Plan budget amount 2016/17				13,594	
URBAN DEVELOPMENT	22,968	7,621	9,784	18,748	8,964

We were under budget due to delays in the work programmes for Frank Kitts Park and Kumutoto Precinct projects, as well as delays in the timing of the delivery of the Lombard Street laneway and the Tawa Town Centre upgrade. The Holland Street and Garrett Street/Swan Lane redesigns were also factors, as were delays in the earthquake-strengthening programme and variances related to the Town Hall and St James Theatre projects.

Key activities

Urban development, heritage and public spaces
Building and development control

Key achievements and challenges

- **Earthquake response.** The Council sought emergency powers under the Civil Defence and Emergency Management Act 2002. This gave the Council the ability to compel building owners to conduct inspections of their buildings and share their results. In total, 80 buildings were identified, with repair work and/or demolition continuing for many of them.
- **Unreinforced masonry.** The unreinforced masonry buildings initiative began at the start of the year, involving 113 buildings in the city. Significant effort is currently focused on demolitions in Thorndon. Ongoing demolition and reconstruction work is likely to last for several years.
- **Building consents.** A total of 2596 building consents were issued by the Council over the last 12 months. This is an 8.5 percent increase from 2392 last year and is a positive sign that the market is responding to the city's strong growth and need for more housing in the city.

Waka Transport

Performance summary



Compared to last year, nine performance measures improved or were maintained, six dropped and two were not applicable. The areas of underperformance relate to the rating of roads and footpaths, resurfacing, street lighting in suburbs, and response rates for urgent service requests.

NET OPERATING EXPENDITURE (\$000)	ACTUAL 2014/15	ACTUAL 2015/16	ACTUAL 2016/17	BUDGET 2016/17	VARIANCE 2016/17
TRANSPORT	20,463	22,119	25,836	30,744	4,907

We were under budget in professional costs due to delays in studies and planning pending outcomes from Let's Get Wellington Moving, vested asset income, and lower than planned depreciation and higher than budgeted Adshell revenues as well as higher recoveries from GWRC for the Lambton Quay Bus Interchange and Bus Rapid Transit civil works.

CAPITAL EXPENDITURE (\$000)	ACTUAL 2014/15	ACTUAL 2015/16	ACTUAL 2016/17	BUDGET 2016/17	VARIANCE 2016/17
Unspent portion of budget brought forward from prior years				2,087	
Annual Plan budget amount 2016/17				41,052	
TRANSPORT	41,481	36,534	34,318	43,139	8,821

This activity area came under budget due to a number of renewals programmes not being fully delivered because of contractor resourcing issues and various project delays. Other factors included the cycling programme being reprioritised and rephased across 3 years, and delays associated with the Let's Get Wellington Moving and Bus Rapid Transit projects. There were also delays on the Queens Drive (Lyall Bay) project and limited availability of traffic engineering resources to other planning and design work.

Key activities

Transport
Parking

Key achievements and challenges

- **Reactive maintenance.** Significant additional reactive maintenance work was carried out during the year as part of the emergency response resulting from natural hazard events. This included the 2016 November earthquake and several storm events, and clearance of over 1260 slips.
- **Let's Get Wellington Moving.** The Council has been working collaboratively with the NZ Transport Agency (NZTA) and Greater Wellington Regional Council (GWRC) to develop a whole-of-system approach to address the challenges in the transport network between Ngauranga and Wellington Airport. It includes consideration of how the transport network interacts with land use activities, especially in the central city.
- **Cycleways.** The Wellington City Cycleways Programme was reviewed by NZTA in mid-2016. A refreshed programme was developed within the context of what's practical and achievable, and as part of an integrated and connected transport network for Wellington City. We started work on the Hutt cycleway, and stakeholder engagement on the eastern suburbs. There has also been extensive pre-engagement aimed at getting local communities involved in the Island Bay Cycleway, which is part of a wider Island Bay project, Love the Bay.
- **Miramar parking scheme.** Councillors approved a 24-hour time-restricted parking scheme in Miramar South. The results of the time restriction will be monitored for a period of 6 months, to see if changes are needed.



Financial performance

This section outlines what our financial results mean for you.

The Council has performed well financially over the past year. Our financial position remains healthy. The Council has maintained its AA credit rating with Standard & Poor's, the highest for a public sector entity. Our debt position is very conservative and we work with other Councils to reduce costs wherever possible.

The following pages explain our financial results: revenue, operating and capital expenses, net surplus and underlying surplus.

For greater detail on our financial performance and position, see the Financial Statements on page 125 of the Annual Report.

Overview of our performance - the money

**\$494.5
million**

**cost of running the city
for the year 2016/17**

Our total expenses for the year were \$494.5 million (\$453 million 2015/16), which represents the cost of running the city during the year. Of the \$494.5 million, \$15.5 million relates to the November earthquake.

**\$7
billion**

of assets

The Council provides a broad range of services to the city through a range of infrastructure networks and facilities (the Council's assets). These have been built up over many generations and assets support services that provide both social and economic benefits for Wellington. Seven billion dollars worth of assets equates to around \$33,000 net worth of value for every person in the city.

**\$10.6
million**

**underlying net surplus for 2016/17,
2.1% of operating expenditure**

The underlying surplus is the reported net surplus (\$31.7 million) less any government funding for capital projects (\$30.3 million), plus items either not required to be funded by ratepayers or the difference between actual items budgeted for this year (\$7.1 million) and other adjustments (\$2.1 million) that do not affect the rating requirements of the Council.

\$6.52

**cost of delivering all Council
services per resident per day**

Our services include managing and maintaining facilities like libraries, swimming pools, sportsfields, community centres and parks, as well as keeping our roads and footpaths at a high standard, making sure we all have safe water to drink, and supporting arts, cultural and sporting events.

\$137.2 million

of capital spend for 2016/17

We spent \$137.2 million on building new assets for the city. This was lower than our planned \$204.9 million. This is as a result of the November earthquake disruptions and the re-phasing of some projects over a longer period of time.

\$419 million

borrowing position for 2016/17

This is an increase of \$22.4 million from last year. This equates to \$2,015 per person in Wellington. We use borrowing to spread the cost of new facilities or infrastructure over the multiple generations that will benefit from that facility or infrastructure. We believe this is the fairest way to do things.

\$1:1.20

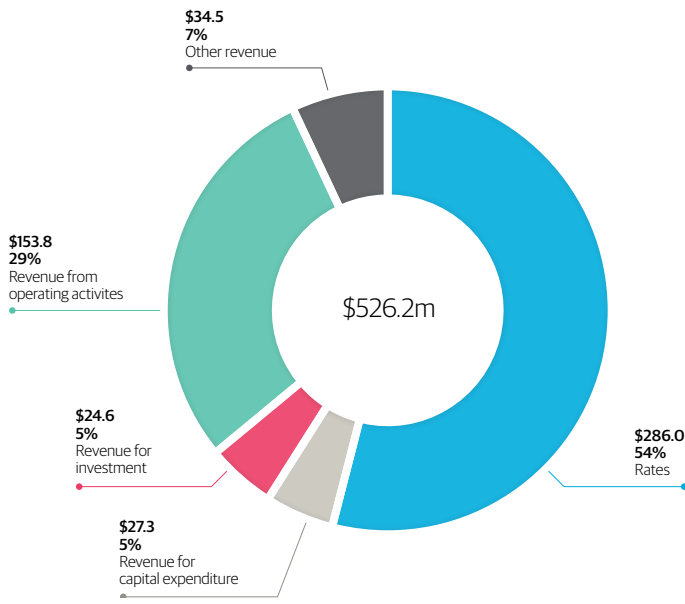
**debt servicing costs to
investment returns**

For every \$1 the Council incurs on paying interest on debt, it receives \$1.20 from its investments.

AA

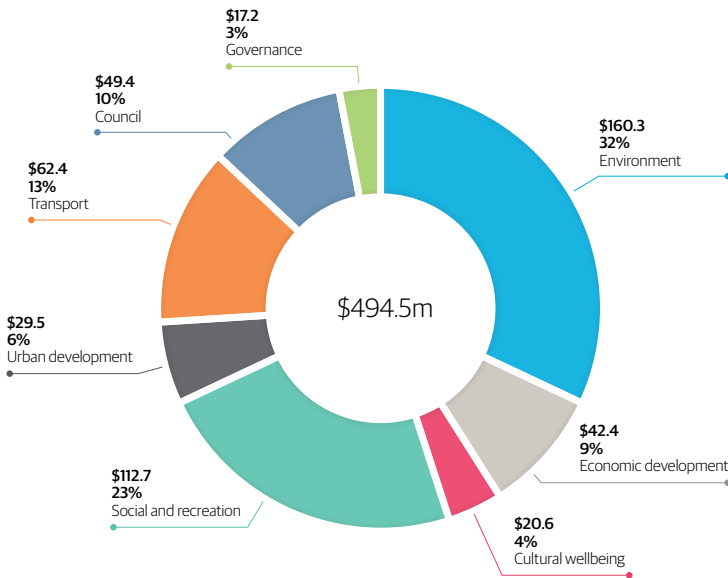
credit rating

The Council is in good financial health and has an AA credit rating with Standard & Poor's.



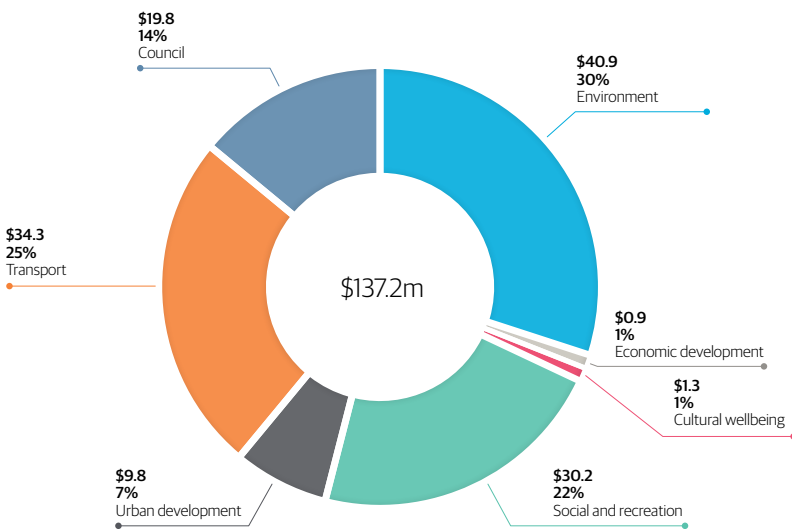
Sources of revenue \$m

Rates are our main source of funding, with revenue from operating activities (including user fees) the next largest source. We also receive revenue from other external sources (mainly government) to fund capital expenditure, revenue from interest, and dividends.



Operating expenditure (gross) by area \$m

Our activities and their related expenditure are divided into seven strategic areas of focus, as shown in the graph. During the year we delivered a wide range of services, from resurfacing roads and managing the water network, to providing parks, pools, sportfields and libraries at a cost of \$6.52 per day per resident.



Capital expenditure by area \$m

We have a comprehensive renewal programme for our assets and have completed \$137.2 million of capital expenditure, which equates to 67 percent of our planned capital expenditure for the year. Delays in a number of projects occurred during the year due to changes in design, negotiations or consultation and consents requirements and will be proceeding in the next financial year.

Underlying surplus \$m

The underlying surplus provides a comparison with the rates requirement we budgeted for in our Annual Plan to achieve a balanced budget. It shows how closely our annual income matches how much we spend in any given year. A balanced budget helps ensure that we are not passing the costs of running the city today onto future generations and imposing future costs on current generations. Our goal is to have an underlying surplus or deficit close to zero.

This year we had an underlying surplus of \$10.6 million, mainly due to lower debt servicing costs as a result of deferred capital expenditure, and higher than budgeted revenue from dividends and from our landfill.

To get from net surplus to underlying surplus, the following is excluded:

- Revenue received for capital items - for example the funding we receive from NZTA for roading.
- Non-funded transactions - either where, through the annual plan, it is deemed appropriate that future ratepayers share the costs incurred in a particular year, or where another organisation is liable for the funding.
- Other minor adjustments.

These items are excluded because they generally don't affect rates and were excluded from our Annual Plan balanced budget calculation.

The table below summarises the capital and non-funded adjustments made to the net surplus to arrive at the underlying surplus.

NET UNDERLYING SURPLUS	ACTUAL \$M	BUDGET \$M	VARIANCE \$M
Reported net surplus	31.7	12.8	18.9
Exclude items or budgeted differences not required to be funded	7.1	11.2	(4.1)
Exclude government funding for capital projects	(30.3)	(35.0)	4.7
Other adjustments	2.1	11.0	(8.9)
Underlying surplus	10.6	0.0	10.6

Summary statement of comprehensive revenue and expense

For the year ended 30 June 2017

	COUNCIL			GROUP	
	ACTUAL	BUDGET	ACTUAL	ACTUAL	ACTUAL
	2017	2017	2016	2017	2016
	\$000	\$000	\$000	\$000	\$000
Total revenue	526,153	475,276	487,095	549,344	496,953
Total expense (excluding finance expense)	(470,514)	(436,898)	(428,766)	(502,639)	(448,691)
Total finance expense	(23,960)	(25,617)	(24,223)	(23,970)	(24,223)
Total operating surplus	31,679	12,761	34,106	22,735	24,039
Share of equity accounted surplus/(deficit) from associates and jointly controlled entity	-	-	-	13,313	12,811
Net surplus before taxation	31,679	12,761	34,106	36,048	36,850
Income tax expense	-	-	-	102	(240)
NET SURPLUS	31,679	12,761	34,106	36,150	36,610
OTHER COMPREHENSIVE REVENUE AND EXPENSE					
Cash flow hedges - FV movement (net)	17,447	-	(21,268)	17,447	(21,268)
Fair value through other comprehensive revenue and expense	1,240	-	1,542	1,195	1,521
Non-controlling interest	-	-	-	-	(32)
Revaluations of property, plant and equipment	295,254	106,241	(211)	295,254	(211)
Share of other comprehensive revenue and expense of associates	-	-	-	24,165	-
Total other comprehensive revenue and expense	313,941	106,241	(19,937)	338,061	(19,990)
TOTAL COMPREHENSIVE REVENUE AND EXPENSE	345,620	119,002	14,169	374,211	16,620

The main variances from budget are discussed in the section following the Statement of Comprehensive Revenue and Expense in the Annual Report on page 132.

Sound finances

There are a number of aspects to being in a sound financial position, and some of them have been covered in the previous section. Central to this is

the Council's debt position and future borrowing capacity. Constraints on borrowing could affect our ability to maintain assets or fund growth initiatives.

Summary statement of financial position

As at 30 June 2017

	COUNCIL			GROUP	
	ACTUAL 2017 \$000	BUDGET 2017 \$000	ACTUAL 2016 \$000	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Current assets	137,510	58,887	154,569	147,991	166,932
Non-current assets	7,268,890	7,050,398	6,925,535	7,425,977	7,054,487
Total Assets	7,406,400	7,109,285	7,080,104	7,573,968	7,221,419
Current liabilities	213,041	361,625	255,113	218,546	262,454
Non-current liabilities	463,238	232,220	440,490	464,279	442,033
Total liabilities	676,279	593,845	695,603	682,825	704,487
TOTAL EQUITY	6,730,121	6,515,440	6,384,501	6,891,143	6,516,932

The Council is in good financial health to deal with challenges. Our debt position is very conservative and we work with other Councils to reduce costs wherever possible. We also have far less debt than many local authorities. High-yielding investments

such as our ground lease portfolio in the central city, and our shares in Wellington International Airport Limited and the Kiwi Point quarry, help offset rates requirements.

Net borrowings 5-year trend (\$m)



Assets, investments and liabilities

As detailed below, we have a very strong financial position based on the following major asset types:

- Property, plant and equipment (including land, buildings, pipes, roads and other infrastructure assets) - \$6,972.2 million
- Other assets (including investment properties and investments in controlled entities and associates) - \$434.2 million.

The value of these assets has increased due to the level of capital expenditure and investment property and infrastructure asset revaluations. We also continue 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 past 5 years.

Investments and net borrowings 5-year trend (\$m)



^ Note: Investments comprise investment properties; investment in associates and jointly-controlled entities; investment in controlled entities and other financial assets. Net borrowings comprise current and non-current borrowing offset by cash and cash equivalents.

For every \$1 the Council incurs on paying interest on debt, it receives \$1.20 from its investments.

Unquantified contingent asset - as at 30 June 2017 the Council has an unquantified contingent asset for insurance recoveries. The insurance claim related to the Civic Administration Building, which covers both repair costs and relocation costs, is still in progress. The Council’s preliminary assessment of earthquake repairs is in the region of \$33.0 million.

Our major liabilities include:

- Gross borrowings - \$495.8 million¹
- Other liabilities (including provisions and trade and other payables) - \$180.5 million

¹Annual Report, Notes to the financial statements, Note 23 Borrowings , page 175 of the Annual Report

Summary statement of cash flows

For the year ended 30 June 2017

	COUNCIL			GROUP	
	ACTUAL	BUDGET	ACTUAL	ACTUAL	ACTUAL
	2017	2017	2016	2017	2016
	\$000	\$000	\$000	\$000	\$000
Net cash flows from operating activities	113,170	101,637	121,632	114,112	124,715
Net cash flows from investing activities	(112,704)	(154,323)	(127,167)	(114,684)	(130,321)
Net cash flows from investing activities	(17,568)	44,577	33,631	(17,685)	33,631
Net increase/(decrease) in cash and cash equivalents	(17,102)	(8,109)	28,096	(18,257)	28,025
Cash and cash equivalents at beginning of year	94,009	9,823	65,913	103,623	75,598
CASH AND CASH EQUIVALENTS AT END OF YEAR	76,907	1,714	94,009	85,366	103,623

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, together with new borrowings (financing activities), are used to purchase and develop assets around the city (investing activities).

Changes in net worth

The Council's net worth is represented by equity, which is the difference between what the community owns (assets of \$7,406.4 million) and what the community owes (liabilities of \$676.3 million).

The net worth of the Council at the end of the year was \$6,730.1 million, an increase of \$345.6 million from the previous year. The main reasons for the increase were the infrastructure assets revaluations of \$295.3 million, the net surplus of \$31.7 million, and a positive movement in the cash flow hedging valuations of \$17.4 million.

Summary statement of changes in equity

For the year ended 30 June 2017

	COUNCIL			GROUP	
	ACTUAL	BUDGET	ACTUAL	ACTUAL	ACTUAL
	2017	2017	2016	2017	2016
	\$000	\$000	\$000	\$000	\$000
Equity at the beginning of the year	6,384,501	6,396,438	6,370,332	6,516,932	6,500,312
Net surplus for the year	31,679	12,761	34,106	36,150	36,610
Other comprehensive revenue and expense	313,941	106,241	(19,937)	338,061	(19,990)
Total comprehensive revenue and expense	345,620	119,002	14,169	374,211	16,620
EQUITY - CLOSING BALANCES					
Accumulated funds	1,269,134	1,269,134	1,269,134	1,293,162	1,293,162
Retained earnings	3,793,827	3,741,957	3,756,048	3,788,286	3,745,251
Revaluation reserves	1,677,312	1,489,442	1,382,337	1,815,338	1,496,198
Hedging reserve	(21,283)	-	(38,730)	(21,283)	(38,730)
Fair value through other comprehensive revenue and expense reserve	2,888	106	1,648	3,221	2,026
Non-controlling interest	-	-	-	284	284
Restricted funds	8,243	14,801	14,064	12,135	18,741
TOTAL EQUITY	6,730,121	6,515,440	6,384,501	6,891,143	6,516,932

Independent auditor's report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of Wellington City Council and group's summary of the annual report for the year ended 30 June 2017

The summary of the annual report was derived from the annual report of the Wellington City Council (the City Council) and group for the year ended 30 June 2017.

The summary of the annual report comprises the following summary statements on pages 7 to 17 and 24 to 27:

- the summary statement of financial position as at 30 June 2017;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2017;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the section entitled "Highlights for the year".

In our opinion:

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

Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2017 in our auditor's report dated 27 September 2017.

Council's responsibility for the summary of the annual report

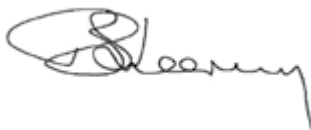
The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS 43: Summary Financial Statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: Summary Financial Statements.

Our opinion on the summary of the annual report is based on our procedures, which were carried out 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.

Other than in our capacity as auditor, our report on the disclosure requirements, an audit of the City Council and Group's LTP amendment, an independent assurance review under the City Council and Group's Debenture Trust Deed, and a review of the revenue and expenditure of the Clifton Terrace car park managed by the City Council and Group on behalf of the New Zealand Transport Agency, we have no relationship with or interests in the City Council or its subsidiaries and controlled entities.



Bede Kearney,
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand
6 November 2017





