The year at a glance

Wellington is an outstanding capital city. It offers an excellent lifestyle and a wide range of opportunities in a vibrant and dramatic environment.

The role of Wellington City Council is, in essence, an enabling one. We provide an environment in which residents can live, work, do business, enjoy their recreation and leisure time, and achieve their goals.

Much of our work, therefore, is about collaboration. It is about understanding our common goals and the individual aspirations of the people who live and do business here. It is about working with them to ensure the city’s foundations and environment supports them.

Wellington’s preparations for Rugby World Cup 2011 are an outstanding example of the success that can result from collaboration. Wellington is hosting eight matches, including two quarter-finals, providing an unmatched opportunity to showcase our vibrant, friendly and exciting city to thousands of international visitors.

Events such as Canterbury’s earthquakes and Japan’s tsunami have reminded us just how vulnerable even the best-prepared city can be against the greater forces of nature. Global financial difficulties have also continued to slow New Zealand’s economy, raising public sector debt, costing jobs, and affecting the livelihoods of many.

Through these events, we have been reminded of the importance of sound stewardship of the city’s environment, infrastructure, and finances, so that we are robust enough to withstand future challenges.

We have also been reminded of the importance of protecting and celebrating all that makes Wellington special. This year we’ve seen Wellingtonians treading more lightly on the planet with reductions in water consumption and greenhouse gas emissions. We’ve also seen an increase in bird life throughout our reserves and bush.

In Wellington, we have been fortunate. While other cities have faced overwhelming challenges, our residents have continued to enjoy a relatively stable economy and outstanding quality of life. Wellington City has enjoyed another good year and the future for the city looks bright.
These services are funded by user charges, general rates and targeted rates (residential and commercial).

Environment

Protecting and enhancing Wellington’s environment

We supply water, stormwater and wastewater services, provide recycling and waste disposal services, offer grants for environmental initiatives, support volunteers and promote energy efficiency and sustainability.

HIGHLIGHTS

• Changes to the city’s kerbside recycling scheme made it safer for workers and better for the environment, despite some teething problems with the scheme. New 140-litre wheelie bins were introduced for the majority of Wellington properties (recycling bags were provided for other properties that were not suitable for bins). The new bins improve safety by reducing the amount of recyclable materials that workers have to handle.
• The Council and the Makara Peak Supporters’ Group won the New Zealand Recreation Association’s 2010 Outstanding Park Award for their collaboration on the Makara Peak Mountain Bike Park. We also supported community track building projects in Centennial Reserve on the Miramar Peninsulas and Pohill Reserve.
• The Council adopted a Water Conservation and Efficiency Plan as a means to manage demand. Key aspects of this policy include water conservation education in schools (to be delivered through the Environ-Schools programme), the development of a new water supply bylaw, increased communication with major consumers, and greater analysis of consumption trends.
• The Council received resource consents for the discharge of stormwater into Wellington Harbour and coastal marine areas. The consents require that increased attention is given to the effects of contaminants on the harbour’s ecology. The consents will also see increased consultation with community groups, recreational harbour and coastal area users, iwi, other territorial authorities and government agencies.

WHAT IT COST

ACTIVITY COMPONENT TOTAL COST ($000) COST PER RESIDENT PER WEEK

Gardens and beaches 12,700 $1.24
Green open spaces (new homeless) 14,497 $1.44
Water network 33,543 $3.26
Wastewater and stormwater 48,574 $4.73
Waste reduction and energy conservation 10,700 $1.05
Environmental conservation & attractions 5,416 $0.53
Quarry 103 $0.02
Total Environment 125,691 $12.25

These services are funded by user charges, general rates and targeted rates (residential and commercial).

Economic development

Supporting economic growth to enhance quality of life

Our role is to provide a supportive environment in which businesses can operate. This means ensuring the city is an appealing place to live, work, play and visit, has a high-quality environment, excellent facilities and a vibrant and appealing inner city where people can get together.

We support major events, fund tourism promotions, support attractions such as Te Papa, provide venues such as the Wellington Convention Centre and provide grants for community projects with economic benefits.

HIGHLIGHTS

• From January 2011, free wifi was made available on the waterfront, allowing web users to surf the net for free on smartphones, laptops and other internet devices in the area from Frank Kitts Lagoon along the harbour side of the NZX Centre, and Te Papa.
• We worked with businesses, local authorities and rugby authorities to ensure the city and its facilities were ready for Rugby World Cup 2011. We established a Fanzone based around the wharewaka Te Rau kura beside Frank Kitts Lagoon, where games are broadcast live on a giant screen, and developed the Festival of Carnivales – a series of arts and cultural events showcasing the city.
• We hosted large participation events including the 2011 World Youth Sevens Championships and the second Asia-Pacific Outgames. We also supported several sellout events involving the World of Wearable Art, the All Blacks-Springboks Tri-Nations test match and Homogroom 2011. We also hosted the first Wellington stop-over of the Velux 5 Oceans yacht race, and the NZI International Sevens, which we secured for another five years.
• The Council received 24 international delegations involving over 300 delegates including the Deputy Mayor of Beijing, the Mayor of Tianjin, and the Deputy Mayor of Xiamen. These collectively represent over 28 million people and a GDP over $NZ 400 billion.

Cultural wellbeing

Shaping Wellington’s unique cultural identity

We own and operate key venues for the arts, fund the city’s popular art galleries and museums, operate Te Papa Arts Centre and support the New Zealand International Arts Festival and the NZ Symphony Orchestra. We also provide cultural grants, support community events and festivals, and run the City Archives.

HIGHLIGHTS

• Waitangi Day festivities were held on the waterfront in a combined event with the opening of Te Rau Kura – Te Wharewaka o Piha. During the year the wharewaka became home to the new waka t-te-ekura (fishing canoe) Te Homanga.
• The City Gallery in partnership with Te Papa secured a $600,000 grant from the Government to present an exhibition Oceanica as part of the Real New Zealand Festival in conjunction with RWCC 2011. The New Zealand Lottery Grants Board also funded RWCC 2011 projects at the Museum of Wellington City & Sea, Carter Observatory and Capital E.
• We established a new Council-controlled trading organisation, Wellington Venues Limited, to manage the St James Theatre, Opera House, and Wellington Convention Centre.

WHAT IT COST

ACTIVITY COMPONENT TOTAL COST ($000) COST PER RESIDENT PER WEEK

Galleries & museums 7,760 $0.76
Heritage 1,140 $0.11
Community arts & cultural support 3,243 $0.33
Arts partnerships 2,063 $0.20
Total Cultural wellbeing 14,373 $1.40

These services are funded by user charges, other income, general rates and targeted rates (residential and downtown).
Urban development
Preserving Wellington as a compact, vibrant, and attractive city

Our urban development work includes identifying and securing earthquake-prone buildings are strengthened, enhancing the waterfront and city and suburban centres, developing public spaces such as urban parks and squares, managing heritage sites, assessing and issuing building and resource consents and planning for the city’s future growth and development.

The key challenge we face is to manage growth in a way that is sustainable, safe and retains the city’s special character.

HIGHLIGHTS
- We've inspected 2,957 buildings in the city and identified 201 as being earthquake-prone. To date, 11 buildings have been strengthened. We also continued investigations and design work for the planned strengthening of the Town Hall and Municipal Office Building in Civic Square. Other buildings that require strengthening include the Opera House, Thistle Hall, and the Main Stand at the Basin Reserve. Strengthening of the Embassy Theatre and City Art Gallery has been completed.
- We have improved our internal processes - the average time to get a Land Information Memorandum (LIM) report from the Council is now 3.8 days – last year it was 6.3 days.
- The Kilbirnie Town Centre Revitalisation Plan was adopted in August 2010 and initial designs for public space improvements were developed. Some $1.5 million has been set aside for their implementation in 2011/12.
- We prepared a spatial framework for the development of the central city over the next 30 years. The work forms part of the Wellington 2040 project. The work assesses street structure, built form and the city’s landscape and frames developments around nine inter-related ideas including laneways, adding prominence to the capital city status, a revitalisation plan for two blocks of Victoria Street and embedding the use of green infrastructure in its development. The work is subject to consultation and will guide future investment decisions.

Transport
Connecting people and places

We look after the city’s streets and roads, as well as footpaths, cycle lanes, traffic signals and our parks. We also support public transport through measures such as priority bus lanes, letting buses go first at traffic lights, and providing bus shelters. We work to improve road safety and plan to ensure the city’s transport network meets future needs.

The key challenges we face are to deal with congestion and support healthy, sustainable alternatives to the private car.

HIGHLIGHTS
- The Golden Mile upgrade project to improve bus priority was substantially completed. The new bus lanes along Manners Street were opened in November 2010 and work to convert lower Cuba Street into a pedestrian shared space was largely completed. We will continue to monitor and refine traffic flows along this new route as necessary.
- We constructed 34 new retaining walls – including the strengthening of walls below the Ngaio Gorge Road to ensure this important route is less prone to earthquake risk.
- With the Greater Wellington Regional Council, we began the introduction of real-time bus information for commuters.
- Sunday parking time-limits were introduced in the central city from 1 March 2011. This has resulted in an increase in turnover of spaces on Sundays - indicating that more people are now able to park in the CBD for shopping and other activities.
- We completed the upgrade of Waterloo Quay. The section of road between the Railway Station and the Westpac Stadium has been improved as one of the main accessways to and from the stadium.

Social and recreation
Sustaining strong, safe, healthy communities

We own and maintain the city’s swimming pools, recreation centres, sportfields and playgrounds so people can be active. Our libraries are neighbourhood institutions and bring people together. We provide homes to vulnerable people, fund projects to help homeless people, support community organisations and provide community centres and halls.

We also work to maintain public health and safety by preparing the city for emergencies such as earthquakes. We also oversee dog licensing and control, and employ Walksafe officers to help keep our CBD safe. We regulate public health risks, provide public toilets and control the sale of food and liquor.

Challenges include meeting the needs of a changing population that is aging and becoming more diverse, maintaining the city’s existing strengths such as safety, strong communities and tolerant attitudes. We also strive to maintain Wellington’s high quality of life.

HIGHLIGHTS
- The Wellington Emergency Management Office (WEAO) and other sectors of the Council were heavily involved in the region’s response to the September and February Canterbury earthquakes. This included sending staff such as building officers, water and drainage repair staff, and engineering staff to help Christchurch with early efforts to respond to and recover from the quakes. We also helped in the assistance of more than 3,000 people evacuated to Wellington following the February quake.
- Other activities at Kilbirnie was substantially completed. The centre provides facilities for netball, basketball, volleyball and other indoor sports.
- The upgrade of the Khandallah Town Hall was undertaken to retrofit the space for use as a multi-use community centre. The centre was officially opened on 7 August 2011.
- The libraries established a collection of downloadable audio-books, and a trial of e-books.
- The libraries established a collection of downloadable audio-books, and a trial of e-books.
- We completed major drainage and irrigation upgrades at Karori and Kilbirnie parks.
- In conjunction with the Government we continued the construction of the new Regent Park Flats in Newtown. We began refurbishment of Newtown Park Flats and the other activities.
- The Kilbirnie Town Centre Revitalisation Plan was adopted in August 2010 and initial designs for public space improvements were developed. Some $1.5 million has been set aside for their implementation in 2011/12.
- We prepared a spatial framework for the development of the central city over the next 30 years. The work forms part of the Wellington 2040 project. The work assesses street structure, built form and the city’s landscape and frames developments around nine inter-related ideas including laneways, adding prominence to the capital city status, a revitalisation plan for two blocks of Victoria Street and embedding the use of green infrastructure in its development. The work is subject to consultation and will guide future investment decisions.

What it cost

<table>
<thead>
<tr>
<th>Activity Component</th>
<th>Total Cost ($000)</th>
<th>Residential Per Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban planning and policy</td>
<td>1,689</td>
<td>$0.18</td>
</tr>
<tr>
<td>Building control and facilitation</td>
<td>10,727</td>
<td>$1.04</td>
</tr>
<tr>
<td>Development control and facilitation</td>
<td>5,810</td>
<td>$0.57</td>
</tr>
<tr>
<td>Earthquake risk mitigation</td>
<td>2,060</td>
<td>$0.21</td>
</tr>
<tr>
<td>Public space improvements</td>
<td>9,407</td>
<td>$0.92</td>
</tr>
<tr>
<td>Total Urban development</td>
<td>28,438</td>
<td>$2.77</td>
</tr>
</tbody>
</table>

These services are funded by user charges, other incomes and general rates.
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 2011.

Net Surplus

Net surplus is calculated using the following formula:

Total income – total expenses = net surplus

The surplus is made up of funding received specifically for capital projects and cannot be used to offset rates.

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 2011.

KEY FACTS AT A GLANCE

People

Number of ratepayers: 75,351
Number of residents: 197,700

Numbers

Total assets: $6,683.8 million
Total liabilities: $487.4 million
Total income: $416.0 million
Total expenses: $400.0 million

SUMMARY STATEMENT OF COMPREHENSIVE FINANCIAL PERFORMANCE

<table>
<thead>
<tr>
<th></th>
<th>COUNCIL</th>
<th></th>
<th>GROUP</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ACTUAL</td>
<td>BUDGET 2011 SM</td>
<td>ACTUAL</td>
<td>ACTUAL 2010 SM</td>
</tr>
<tr>
<td></td>
<td>2011</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total income</td>
<td>416.0</td>
<td>400.3</td>
<td>398.6</td>
<td>427.5</td>
</tr>
<tr>
<td>Total expense</td>
<td>(380.1)</td>
<td>(329.7)</td>
<td>(349.8)</td>
<td>(399.4)</td>
</tr>
<tr>
<td>Finance expense</td>
<td>(19.9)</td>
<td>(21.6)</td>
<td>(18.4)</td>
<td>(19.9)</td>
</tr>
<tr>
<td>Total operating surplus</td>
<td>16.0</td>
<td>49.0</td>
<td>30.4</td>
<td>8.2</td>
</tr>
<tr>
<td>Share of equity accounted surplus from associates</td>
<td>-</td>
<td>-</td>
<td></td>
<td>0.5</td>
</tr>
<tr>
<td>Net surplus before taxation</td>
<td>16.0</td>
<td>49.0</td>
<td>30.4</td>
<td>8.7</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>-</td>
<td>-</td>
<td></td>
<td>(0.4)</td>
</tr>
<tr>
<td>Net surplus for the year</td>
<td>16.0</td>
<td>49.0</td>
<td>30.4</td>
<td>8.3</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>252.2</td>
<td>152.4</td>
<td>(0.2)</td>
<td>254.0</td>
</tr>
<tr>
<td>Revaluations</td>
<td>(4.7)</td>
<td>-</td>
<td>(5.4)</td>
<td>(4.8)</td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td>-</td>
<td>-</td>
<td>1.1</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Fair value through other comprehensive income</td>
<td>-</td>
<td>-</td>
<td></td>
<td>1.5</td>
</tr>
<tr>
<td>Share of other comprehensive income of associates</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total other comprehensive income</td>
<td>247.2</td>
<td>152.4</td>
<td>(4.5)</td>
<td>250.4</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>283.2</td>
<td>201.4</td>
<td>25.9</td>
<td>258.7</td>
</tr>
</tbody>
</table>

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 St. James Theatre Trust and Capacity. A diagram of the structure of the Council and Group can be found in Note 38 of the Financial Statements.

Underlying budget variance

The underlying budget variance is the remaining difference between the budgeted and actual surplus after adjusting for items that are not used to fund operating expenditure including fair value movements in financial instruments. This year there was an underlying variance of -$24.4 million.

The main reason for the underlying variance was an increase in the provision for weathertight homes of $33.9 million. This provision represents an estimate of the claims outstanding at the end of the reporting period together with an estimate of the claims incurred but not yet reported. This is the first year the provision has included an estimate for claims not yet reported. Previously this was disclosed as an unquantified contingent liability.

The provision is based on best estimates and actuarial assessments. Actual costs incurred may vary significantly from those included in this provision, especially for future claims relating to weathertightness issues not yet identified or not yet reported.

The actuarial assessments include the expected effect of the Government’s Financial Assistance Package which was given Royal Assent after balance date, on 22 July 2011.

More information on the movement in the provision for weathertight homes can be found in Note 23 of the financial statements.

Offsetting some of this increase in provisions was a $3.8 million increase in the forecast dividend income and savings in areas such as interest costs.
The Council received total income of $416.0 million during the year.
The following graphs show the various income sources during the year. Rates are the main source of funding for the Council with revenue from operating activities being the next largest source.

**INCOME**
The Council received total income of $416.0 million during the year.

The following graphs show the various income sources during the year. Rates are the main source of funding for the Council with revenue from operating activities being the next largest source.

**INCOME FROM RATES**
We received $222.6 million from rates. The Council receives income from general and targeted rates, and from a range of targeted rates including stormwater and sewerage rates. A breakdown of the rates is shown below:

**EXPENSES**
The total expenditure incurred by the Council during the year was $400.0 million. The graph below shows the breakdown of expenditure by strategy.

**Rates collected from commercial and non-commercial ratepayers**

The $400.0 million expenditure represents the cost of running the city during the year. The activities of the Council are divided into seven strategies:

**Governance** includes community engagement, Council elections and meetings.

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

**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 Tai Poneke.

**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, the earthquake-prone buildings programme, funding for heritage buildings and improvements to streets and other public areas.

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

The table below shows the cost per Wellington resident per day for each strategy.

**Cost per strategy per resident per day**

The following graphs show how the rates revenue received during the year was split between commercial and non-commercial rates and how the rates base is split between commercial and non-commercial:

**Proportion of commercial and non-commercial rates values**

**DECIDING WHO PAYS**
When we're deciding how to fund an activity (whether to use rates, user charges, or other sources of income), we consider:

- **community outcomes** to which the activity contributes (i.e., aspirations for the city);
- **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 through borrowing and depreciation so that everyone who benefits, present and future, contributes.

Our Revenue and Financing Policy sets out how each Council activity will be funded, based on these criteria. The policy is available on our website, Wellington.govt.nz.

**HOW WE FUNDED OUR EXPENDITURE THIS YEAR**
The table below outlines how we funded our spending this year. The total spending of $400.0 million includes items that do not require funding. After adjusting for these items the remaining operational expenditure is $351.6 million.

**HOW WE FUNDED OUR EXPENDITURE THIS YEAR**

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Total operating expenditure</th>
<th>Cost per resident per year</th>
<th>Cost per resident per day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance</td>
<td>14.8</td>
<td>75</td>
<td>0.21</td>
</tr>
<tr>
<td>Environment</td>
<td>120.0</td>
<td>627</td>
<td>1.75</td>
</tr>
<tr>
<td>Economic development</td>
<td>24.8</td>
<td>125</td>
<td>0.34</td>
</tr>
<tr>
<td>Cultural wellbeing</td>
<td>14.4</td>
<td>73</td>
<td>0.20</td>
</tr>
<tr>
<td>Social and recreation</td>
<td>50.1</td>
<td>446</td>
<td>1.22</td>
</tr>
<tr>
<td>Urban development</td>
<td>31.8</td>
<td>161</td>
<td>0.44</td>
</tr>
<tr>
<td>Transport</td>
<td>40.5</td>
<td>246</td>
<td>0.67</td>
</tr>
<tr>
<td>Council</td>
<td>51.6</td>
<td>261</td>
<td>0.72</td>
</tr>
</tbody>
</table>

**Most operational spending is in the Environment and Social and Recreation areas. The spending is discussed in detail in the Our Work in Detail section of the Full Annual Report.**

**Adjusted by**

- City housing stop-goiced surplus: 0.5
- Waste activity ring-fenced surplus: 0.7
- Expenditure not funded under section 100 of LGA: 7.0
- NZTA transport funded projects: 12.0
- Sovereign treatment plant: 1.2
- Expenditure from Wellington Waterfront and Venues Projects and Partners joint ventures: 1.2
- Non-cash items: 1.2
- Loss on sales of assets: 1.2
- Vested asset write-offs: 1.2
- Fair value movements: 1.2
- Total operating expenditure to be funded: 376.0

**Funded by**

- Rates
- General rates: 35.0%
- Targeted rates: 20.0%
- User charges and other income
- Revenue from operating activities: 22.0%
- Grants and subsidies: 6.0%
- Revenue from investments: 4.0%
- Other income: 1.0%
- Finance income: 0.0%

**Total sources of funding**

- 351.6 million

**Underlying variance**

- (24.4 million)
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 net assets).

SUMMARY 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 net assets).

<table>
<thead>
<tr>
<th>ACTUAL</th>
<th>BUDGET</th>
<th>ACTUAL</th>
<th>ACTUAL</th>
<th>ACTUAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>72.9</td>
<td>47.2</td>
<td>58.8</td>
<td>79.6</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>6,610.9</td>
<td>6,529.5</td>
<td>6,267.0</td>
<td>6,762.3</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>6,683.8</td>
<td>6,576.7</td>
<td>6,325.8</td>
<td>6,841.9</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>180.2</td>
<td>163.9</td>
<td>175.7</td>
<td>186.6</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>307.1</td>
<td>304.1</td>
<td>216.9</td>
<td>308.5</td>
</tr>
<tr>
<td>TOTAL LIABILITIES</td>
<td>487.4</td>
<td>468.0</td>
<td>392.6</td>
<td>495.1</td>
</tr>
<tr>
<td>TOTAL EQUITY/NET ASSETS</td>
<td>6,196.4</td>
<td>6,108.7</td>
<td>5,933.2</td>
<td>6,346.8</td>
</tr>
</tbody>
</table>

The Council’s net worth at the end of the year was $6,196.4 million – an increase of $263.2 million from the previous year. The major contributor to the increase in net worth was the effect of the revaluations carried out this year on the balance of property, plant and equipment. For more detail on the effect of the revaluations carried out this year on the balance sheet, see Note 18 of the financial statements.

COUNCIL ASSETS AND LIABILITIES – THREE YEAR TREND

<table>
<thead>
<tr>
<th>2011</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>$M</td>
<td>$M</td>
<td>$M</td>
</tr>
<tr>
<td>6,872</td>
<td>6,543</td>
<td>6,431</td>
</tr>
<tr>
<td>6,277</td>
<td>6,123</td>
<td>5,876</td>
</tr>
<tr>
<td>6,362</td>
<td>6,296</td>
<td>6,008</td>
</tr>
</tbody>
</table>

The major assets of the Council include:

- Property, plant and equipment (including land, buildings, drainage waste and water assets) – $6,362.5 million
- Other Assets (including investment properties and investments in subsidiaries and associates) – $321.3 million
- Investments in subsidiaries and associates – $321.3 million
- Property, plant and equipment (including land, buildings, drainage waste and water assets) – $6,362.5 million

The Council’s net worth at the end of the year was $6,196.4 million – an increase of $263.2 million from the previous year. The major contributor to the increase in net worth was the effect of the revaluations carried out this year on the balance of property, plant and equipment. For more detail on the effect of the revaluations carried out this year on the balance sheet, see Note 18 of the financial statements.

Borrowings and Finance

The Council’s current liabilities are made up of:

- Current operating payables
- Accounts payable
- Other current liabilities

The Council’s non-current liabilities are made up of:

- Capital borrowings
- Non-current provisions
- Other non-current liabilities

The Council manages its liquidity risk by ensuring it has adequate access to funds at all times. The table below shows the maturity of borrowings is well spread. Some $161 million of unused facilities was available at 30 June to cover future spending requirements and by ensuring the maturity of borrowings is well spread. The Council uses hedging to reduce the impact of changes in interest rates. Some 80% of the borrowings were effectively at fixed rates due to hedging. The table below shows how much was spent on each strategy area.

**Investment Position**

- Environment
- Economic Development
- Culture and Heritage
- Social and Preventive
- Urban Development
- Transport
- Council

**Net Current and Non-current Borrowings ($M)**

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

**Borrowings and Finance**

The Council uses borrowings to fund the purchase or construction of new assets or upgrades to existing assets that are approved through the Annual Plan process. This year these assets included the construction of the ASB Sports Centre ($51.0 million) and the housing upgrade project ($40.3 million).

**Summary 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 net assets).

**Assets**

The major assets of the Council include:

- Property, plant and equipment (including land, buildings, drainage waste and water assets) – $6,362.5 million
- Other Assets (including investment properties and investments in subsidiaries and associates) – $321.3 million

**Liabilities**

The major liabilities of Council include:

- Gross borrowings – $331.4 million
- Other liabilities (including trade and other payables) – $156.0 million

**Net Borrowings**

Net borrowings are calculated using the following formula:

\[ \text{Net Borrowings} = \text{Gross Borrowings} - \text{Net Current Borrowings} - \text{Non-current Borrowings} \]

The gross borrowings totalled $331.4 million, less the balance of cash and cash equivalents of $19.6 million resulting in a net borrowings balance of $311.8 million at 30 June 2011.

**Net current and non-current borrowings ($M)**

The Council has met all of the core policy compliance requirements set out in the Council’s Investment and Liability Management Policy. The prudential limits are set out in the table below.

**Borrowings Compliance**

During the year the Council received a credit rating from Standard and Poor’s. The long-term rating is AA+ with a stable outlook and the short-term rating is A-1+. This is a tremendous outcome for the Council and will provide greater access to debt markets and improved pricing.

**Borrowings as a % of Equity**

The Council uses borrowings to fund the purchase or construction of new assets or upgrades to existing assets that are approved through the Annual Plan process. This year these assets included the construction of the ASB Sports Centre ($51.0 million) and the housing upgrade project ($40.3 million).

**Liquidity/funding risk (access to funds)**

The table below shows how much was spent on each strategy area.

**Inception Year**

- Environment
- Economic Development
- Culture and Heritage
- Social and Preventive
- Urban Development
- Transport
- Council

**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 three years.

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The graph below compares the balance of investments and net borrowings over the last three years.
Cashflows

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

<table>
<thead>
<tr>
<th>SUMMARY STATEMENT OF CASH FLOWS</th>
<th>COUNCIL</th>
<th>GROUP *</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ACTUAL</td>
<td>BUDGET</td>
</tr>
<tr>
<td></td>
<td>2011</td>
<td>2011</td>
</tr>
<tr>
<td>Net cashflows from operating activities</td>
<td>143.3</td>
<td>140.1</td>
</tr>
<tr>
<td>Net cashflows from investing activities</td>
<td>(155.2)</td>
<td>(191.8)</td>
</tr>
<tr>
<td>Net cashflows from financing activities</td>
<td>25.1</td>
<td>51.7</td>
</tr>
<tr>
<td>Net increase/(decrease) in cash and cash equivalents</td>
<td>17.2</td>
<td>-</td>
</tr>
</tbody>
</table>

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).

Equity

The summary statement of changes in equity shows what the community owns minus what the community owes.

Equity is represented by the Council’s net worth, ie ‘what we own’ (total assets of $6,683.8 million) minus ‘what we owe’ (total liabilities of $487.4 million). Equity as at 30 June 2011 was $6,196.4 million, an increase of $263.2 million since last year.

The increase was mainly the result of the revaluations of infrastructure assets and library collections conducted during the year.

<table>
<thead>
<tr>
<th>SUMMARY STATEMENT OF CHANGES IN EQUITY</th>
<th>COUNCIL</th>
<th>GROUP</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ACTUAL</td>
<td>BUDGET</td>
</tr>
<tr>
<td></td>
<td>2011</td>
<td>2011</td>
</tr>
<tr>
<td>Equity at the beginning of the year</td>
<td>5,932.2</td>
<td>5,907.3</td>
</tr>
<tr>
<td>Net surplus for the year</td>
<td>16.0</td>
<td>49.0</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>247.2</td>
<td>152.4</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>263.2</td>
<td>201.4</td>
</tr>
<tr>
<td>Equity at the end of the year</td>
<td>6,196.4</td>
<td>6,108.7</td>
</tr>
</tbody>
</table>

Comprising:

- Accumulated funds and retained earnings: $4,819.7 million
- Revaluation reserves: $1,369.1 million
- Hedging reserve: $9.2 million
- Fair value through other comprehensive income reserve: $0.7 million
- Restricted funds: $16.1 million

Looking forward

The results for the year ended 30 June 2011 reflect the provision of high quality, cost effective services and products to Wellington residents and businesses.

The 2011/12 Annual Plan sets out the Council’s planned operating expenditure programmes for 2011/12. The following graphs highlight the Council’s spending plans for the 2011/12 financial year.

<table>
<thead>
<tr>
<th>FORECAST Operational Expenditure 2011/12 ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total operational expenditure: $368.3 million</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FORECAST Capital Expenditure 2011/12 ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total capital expenditure: $153.5 million</td>
</tr>
</tbody>
</table>

Glossary

Associates – are entities in which the Council owns a share of but does not control. Our share of the associates’ surplus/deficit and net assets is recorded in the Group financial statements. The Council’s associates are Basin Reserve Trust (50%), Capacity (63%), Chaffers Marine Holdings Ltd (12%), Wellington International Airport Limited (34%) and Wellington Regional Stadium Trust (50%).

Cash and cash equivalents – includes cash as well as deposits that mature in less than three months.

Current asset – an asset that can readily be converted to cash or will be used to repay a liability within 12 months of balance date.

Current liability – a liability that must be discharged within 12 months of balance date.

Depreciation (amortisation) – an expense charged each year to reflect the estimated cost of using our assets over their lives. Amortisation relates to ‘intangible’ assets such as software (as distinct from physical assets, which are covered by the term depreciation).

Fair value – essentially reflects the market value of assets or liabilities.

Investment properties – properties that are primarily held by the Council to earn rental income.

Liquidity/funding risk – the risk that the Council will not have access to the required funds to meet its present obligations.

Prudential limits – these are limits applied to the level of borrowings to ensure we are managing the Council’s assets and liabilities prudently. These limits are outlined in the Investment and Liability Policy in the Long Term Plan.

Ring-fenced – funds that can only be used for a specific purpose.

Vested assets – assets created by others and passed into Council ownership eg roads built by a developer as part of a subdivision.
An important part of our planning and reporting is to identify indicators that show progress in important areas.

Our ‘outcomes indicators’ measure things we can influence but not control, and which provide a high-level outline of the ‘state of the city’. Our ‘activity performance indicators’ measure things over which we have control – for example, timeframes for completing work or projects.

Some of this information is gathered internally – for example from residents’ surveys and Council units – but also from external sources such as Statistics New Zealand. We consider a target to be achieved if our performance is within 5% of that target, and we consider a trend to be improving or declining if it has varied by more than ±5% from the previous year. We provide a selection of our outcome indicators below, along with a summary of our performance in each ‘strategy area’.

GOVERNANCE

Our outcome indicators

- Residents’ perceptions of their influence on Council decisionmaking: Stable (80%)
- Residents’ rating of agreement that decisions are made in the best interests of the city: Stable (60%)
- Residents’ perceptions that they understand how the Council makes decisions: Stable (48%)

Activity performance: We achieved most of our targets but some were not met. The proportion of committees agendas made publicly available five days before meetings was below target. However the performance was a seven point improvement on last year. Voter turnout in the 2010 local body elections was below target but reversed a trend of lowering participation over the past six elections.

ENVIRONMENT

Our outcome indicators

- Countries that have achieved/are working towards the environment: Improving trend (285,894)
- Residents’ perceptions that the environment is properly managed and protected: Improving (69%)
- Residents’ usage of the city’s open spaces: Declining trend (residents not using open spaces increased to 34%)

Activity performance: We achieved most of our targets. Tonnage of kerbside recycling dipped slightly, as residents and contractors adjusted to the new recycling system. Visitor numbers to Zealandia were substantially below target but were above target for Toi Poneke Arts Centre.

SOCIAL AND RECREATION

Our outcome indicators

- Visitors to Wellington natural environment attractions: Improving (285,894)
- Visitors to Wellington Central Library: Steady (274,668)
- Visitors to Wellington Central Library: Steady (274,668)

Activity performance: We achieved most of our targets. We fell short of our target for casual room occupancy at Toi Poneke Arts Centre, but exceeded our occupancy targets for the Convention Centre and TSB Arena.

EDUCATION

Our outcome indicators

- Number of tertiary students enrolled: Declining trend (41,375)
- Labour force participation rate: Stable (71.3%)
- Number of major conferences: Stable (669)
- Broadband usage – home access: Improving trend (88%)

Activity performance: We achieved most of our targets. There was a reduction in the number of attendees to Council-supported events due to no major concert events supported by the Events Development Fund. The Convention Centre and TSB Arena were under target on the number of events hosted due to continuing difficult economic conditions.

CULTURAL WELLBEING

Our Outcome Indicators

- New Zealanders’ and Wellingtonians’ perceptions that Wellington is the capital of New Zealand: NZ: Stable (85%); Wellington: Stable (79%)
- New Zealanders’ and Wellingtonians’ perceptions that Wellington has a culturally rich and diverse arts scene: Stable (NZ: 85%; Wellington: 94%)
- Residents’ perceptions that Wellington’s local identity (sense of place) is appropriately valued and protected: Stable (91%)
- Percentage of businesses and employees engaged in the arts and cultural sector: Businesses: Declining (19%); Employees: Stable (19.6%)

Activity performance: We achieved most of our targets. City Archives had fewer physical visitors but more online users. Wellington City Council exceeded our occupancy targets for Toi Poneke Arts Centre, but fell short of our target for casual room occupancy at the Convention Centre.

SOCIAL AND RECREATION

Our outcome indicators

- Residents’ perceptions that Wellington offers a wide range of recreation activities: Stable (91%)
- Residents’ perceptions that they feel a sense of community with others in their local neighbourhood: Stable (60%)
- Residents’ usage of Council community and recreation facilities: Stable (varies by facility)
- Residents use of libraries: Improving (81%)

Activity performance: Most performance targets were achieved. Wellington has fewer users of recreation programmes (excluding recreation centres) than previous years. This was due to ParkPlay (external to Council funding being cut).

TRANSPORT

Our outcome indicators

- Traffic crashes causing injury: Improving trend (fewer crashes: 372 total)
- Residents (%) using buses or walking into the CBD: Buses: Stable (31%); Walking: Improving (26%)
- Residents’ perceptions that the transport system allows easy access from the suburbs to the city: Stable (77%)
- Residents’ perceptions that the peak traffic volumes are acceptable: Improving trend (572 total)

Activity performance: Most performance targets were achieved. The number of library items issued continues to trend down slightly, but did not meet target.

URBAN DEVELOPMENT

Our outcome indicators

- Population density – inner-city residential, suburban residential, and central city: Declining trend (88% city, 77% local community)
- Value of residential and commercial building consents: Commercial: Declining Trend ($263.8m); Residential: Recovering ($365.9m)
- New Zealanders’ perception that Wellington is an attractive destination: Stable (75%)
- Residents’ perceptions that Wellington’s local identity (sense of place) is appropriately valued and protected: Stable (91%)

Activity performance: Most performance targets were achieved. Wellington has fewer users of recreation programmes (excluding recreation centres) than previous years. This was due to ParkPlay (external to Council funding being cut).

This summary report, extracted from our 2010/11 Annual Report, does not provide as complete an understanding of the Council’s activities as the full document. Copies of the Annual Report 2010/11 are available at Council Offices, 101 Wakefield St, Wellington or at www.Wellington.govt.nz. Wellington City Council is a public benefit entity for financial reporting purposes. The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (GAAP) and comply with New Zealand equivalents to FRS and other applicable Financial Reporting Standards, 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.
RESPONSIBILITIES OF THE COUNCIL AND THE AUDITOR
The Council is responsible for preparing the summary in accordance with FRS-43: Summary Financial Statements. We are responsible for expressing an opinion on the summary, based on the procedures required by the Auditor-General’s auditing standards and the International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements.

INDEPENDENCE
When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

During the year we undertook a review of the Clifton Terrace Carpark managed by the City Council on behalf of the New Zealand Transport Agency. Other than the audit, the review of the Clifton Terrace Carpark, the audit of the long-term council community plan, and the audit of the amendment to the long-term council community plan, we have no relationship with or interest in the City Council or any of its subsidiaries.