

# Financial overview

## KEY FACTS AT A GLANCE

### PEOPLE

- Number of ratepayers: 72,564
- Number of residents: 192,500

### NUMBERS

- Total assets: \$6.3 billion
- Total liabilities \$0.4 million
- Total income: \$369.6 million
- Total expense: \$353.5 million

We're committed to providing a comprehensive account of our performance for the year.

The following few pages provides an overview of our financial performance for the year to 30 June 2009. They provide an explanation of our financial statements and statements on pages XX to XX, so they can be more easily understood by readers with a non-financial background.

## OVERALL PERFORMANCE – AT A GLANCE

The net surplus is calculated using the formula:

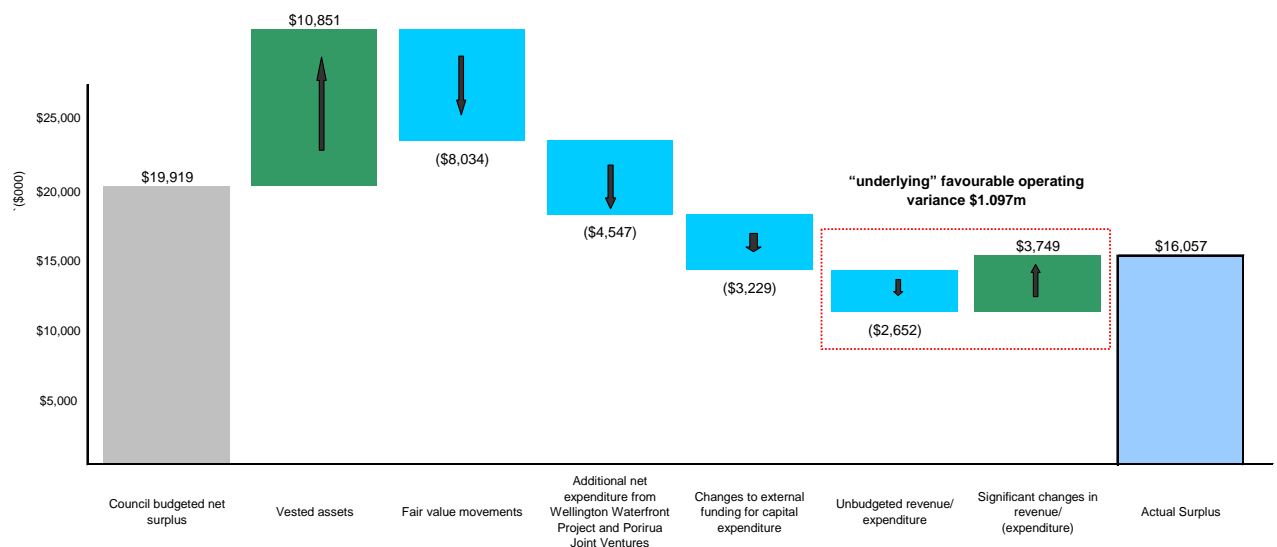
- Total income – total expenses = net surplus.

The Council has recorded a net surplus for the year of \$16.1 million, compared to a budget surplus of \$19.9 million.

## UNDERSTANDING THE COUNCIL'S REPORTED NET SURPLUS FOR THE YEAR ENDED 30 JUNE 2009

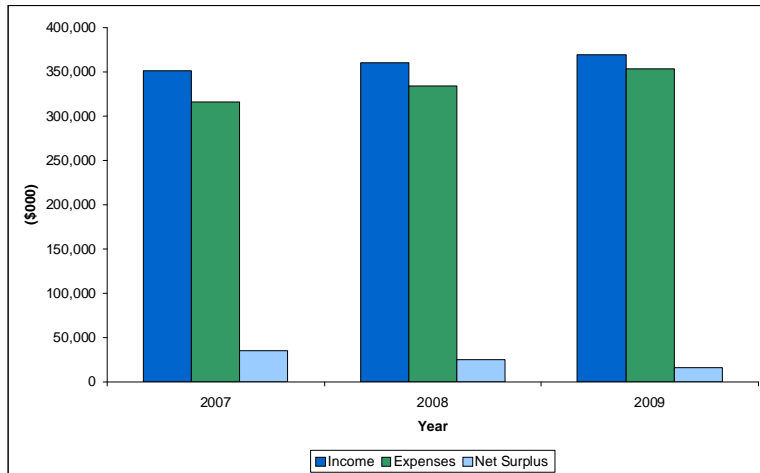
The Council budgeted for a surplus of \$19.9 million in the 2008/09 Annual Plan. The majority of this surplus represents funding received from third parties for capital purposes (e.g. Housing New Zealand grant for the upgrade project). As this income is received for specific capital projects it cannot be used to offset rates. Significant variances to the budgeted surplus are explained below.

To assess the Council's underlying financial performance, the following diagram takes the net surplus and identifies the various components. By separately identifying these items we are able to show the Council's underlying financial performance against that budgeted. The surplus is made up of the following main items:



For a full explanation of the surplus go to page XX.

## THE COUNCIL'S INCOME AND EXPENSES – THREE YEAR TRENDS



	2007 (\$000)	2008 (\$000)	2009 (\$000)
Income	352,130	360,443	369,566
Expenses	316,408	334,928	353,509
Net Surplus	35,722	25,515	16,057

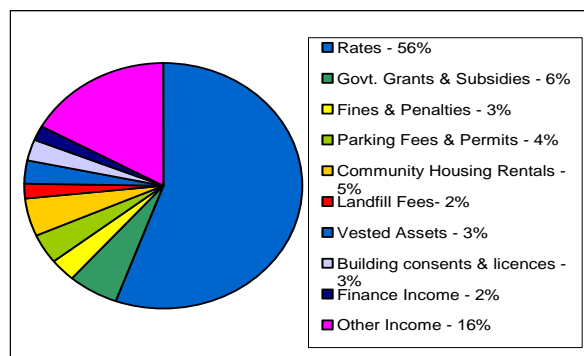
The Council has recorded total comprehensive income of \$94.3m for the year.

This includes the net surplus (as identified above), plus fair value movements on our assets. The major movement for the Council was the revaluation of our operational land and buildings during the year.

We source our income from a variety of places....

The following graph shows the various sources of the Council's \$369.6 million in income during 2008/09. The largest contribution to revenue was provided by rates. While rates continues to be the main source of funding, the Council also received income from a number of other sources including from government grants and subsidies and user charges. The breakdown is as follows:

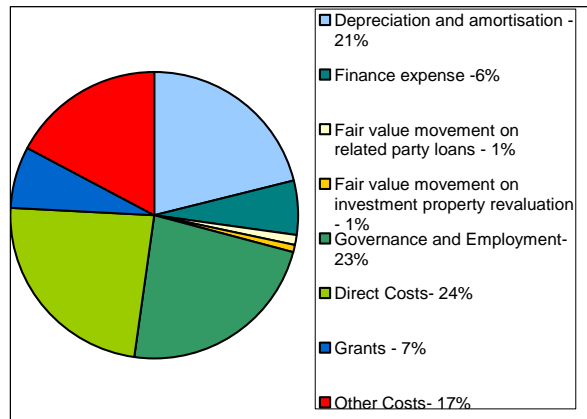
### INCOME BY CATEGORY



## ... and we spend it on services for the city.

The following graph shows the allocation of our \$353.5 million of expenditure by 'type'. The Council's expenditure is guided by the priorities identified in our annual plan. The majority of the expenditure in 2008/09 was directly related to providing the necessary infrastructure and utilities needed to run Wellington. Depreciation, governance and employment costs and direct costs are the most significant contributors, together accounting for 68% of the Council's total expenditure.

### EXPENSES BY TYPE



### EXPENSES BY SERVICE/ACTIVITY

The chart below provides a breakdown of the cost of 'services' for each of our activities. The chart shows the total cost per Wellington resident – the total expenditure of the Council is a reflection of the number of residents the Council serves rather than the number of ratepayers within Wellington. <sup>1</sup>

For each resident of Wellington it costs on average approximately \$1,836 each year to keep the city running. We cover these costs predominantly through rates and user charges.

We group our activities around seven strategies. They guide the delivery of our services. Combined with our financial management they ensure we are providing Wellingtonians value for money.

The strategies and our work towards are discussed in the Our Work in Detail section of this report. They cover:

**Urban Development** – preserving Wellington as a compact, vibrant, and attractive city now and into the future.

	Total Cost (\$000)	Cost per resident	Cost per resident per day
Building control and facilitation	11,487	\$59.67	\$0.16
Development control and facilitation	5,405	\$28.08	\$0.08
Earthquake risk mitigation	502	\$2.61	\$0.01
Public spaces development	14,206	\$73.80	\$0.20
Urban planning & policy	2,359	\$12.25	\$0.03
<b>Total Urban Development</b>	<b>33,959</b>	<b>\$176.41</b>	<b>\$0.48</b>

<sup>1</sup> Estimated city population to be 192,500 by Statistics NZ Census 2006.

**Transport** – delivering an efficient and safe transport system that connects people and places.

	Total Cost (\$000)	Cost per resident	Cost per resident per day
Car parking	10,559	\$54.85	\$0.15
Transport networks	34,976	\$181.69	\$0.50
Transport planning & policy	499	\$2.59	\$0.01
<b>Total Transport</b>	<b>46,034</b>	<b>\$239.14</b>	<b>\$0.66</b>

**Economic Development** – promoting the city’s competitive advantages to enhance quality of life.

	Total Cost (\$000)	Cost per resident	Cost per resident per day
Business support	630	\$3.27	\$0.01
City promotions, events and attractions	21,620	\$112.31	\$0.31
<b>Total Economic Development</b>	<b>22,250</b>	<b>\$115.58</b>	<b>\$0.32</b>

**Environment** – protecting and enhancing Wellington’s environment

	Total Cost (\$000)	Cost per resident	Cost per resident per day
Environmental conservation attractions	4,260	\$22.13	\$0.06
Gardens & beaches	12,075	\$62.73	\$0.17
Green open spaces	14,014	\$72.80	\$0.20
Quarry	148	\$0.77	\$0.00
Waste & energy conservation	8,007	\$41.59	\$0.11
Wastewater & stormwater	49,425	\$256.75	\$0.70
Water Network	32,797	\$170.37	\$0.47
<b>Total Environment</b>	<b>120,726</b>	<b>\$627.15</b>	<b>\$1.72</b>

**Cultural Wellbeing** – reflecting and helping shape Wellington’s unique cultural identity.

	Total Cost (\$000)	Cost per resident	Cost per resident per day
Arts partnerships	2,620	\$13.61	\$0.04
Community arts & cultural support	3,741	\$19.43	\$0.05
Galleries & museum	6,376	\$33.12	\$0.09
Heritage	1,226	\$6.37	\$0.02
<b>Total Cultural Wellbeing</b>	<b>13,963</b>	<b>\$72.54</b>	<b>\$0.20</b>

**Social and Recreation** – sustaining safe, resilient, and healthy communities.

	Total Cost (\$000)	Cost per resident	Cost per resident per day
Community Housing	16,140	\$83.84	\$0.23
Community support	8,515	\$44.23	\$0.12
Libraries	21,543	\$111.91	\$0.31
Public health & safety	11,341	\$58.91	\$0.16
Recreation facilities and programmes	26,349	\$136.88	\$0.38
<b>Total Social and Recreation</b>	<b>83,888</b>	<b>\$435.78</b>	<b>\$1.19</b>

**Engagement / Governance** – delivering trust and confidence in decision-making

	Total Cost (\$000)	Cost per resident	Cost per resident per day
Information, consultation & decision making	13,304	\$69.11	\$0.19
Maori engagement	116	\$0.60	\$0.00
<b>Total Governance and Engagement</b>	<b>13,420</b>	<b>\$69.71</b>	<b>\$0.19</b>

‘Sustaining our solid financial performance is a critical part of our aim to make Wellington an affordable and internationally competitive city.’

## STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

We calculate our net worth to be \$5.9 billion.

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

	2007 \$M	2008 \$M	2009 \$M
Total assets	5,911	6,154	6,277
less total liabilities	313	341	370
Net assets at end of year	5,598	5,813	5,907

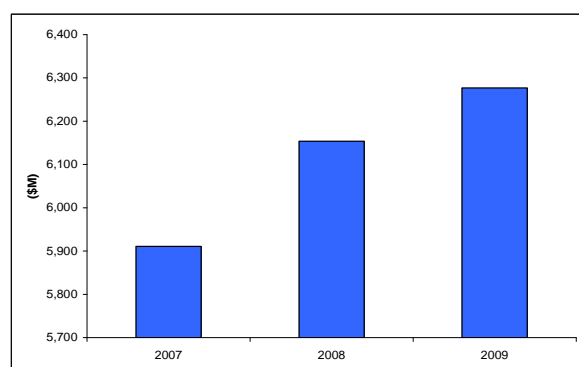
Further information in respect of key Statement of Financial Position balances is outlined below.

### ASSETS – WHAT WE OWN

The major components of our assets include:

- Property, Plant and Equipment (including land, buildings, drainage, waste and water assets) - \$5,965 million
- Investments (including investment properties and investments in subsidiaries and associates) \$259 million
- Other assets \$52 million.

### OUR ASSETS – THREE YEAR TREND



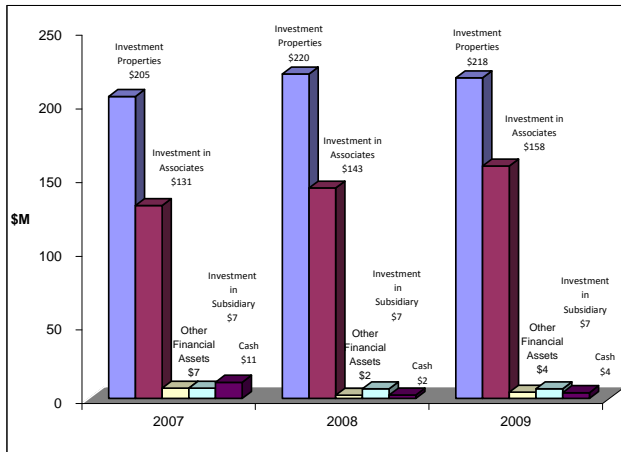
	2007 (\$M)	2008 (\$M)	2009 (\$M)
Assets	5,911	6,154	6,277

### BREAKDOWN OF OUR INVESTMENTS

This asset category comprises investment properties, investments in Associates, such as Wellington International Airport Limited and the Wellington Regional Stadium Trust, cash and cash equivalents and other financial assets.

**INVESTMENT POSITION – THREE YEAR TREND**

The Council’s investments have increased by \$15.9 million to \$390.1 million as at 30 June 2009.



Note that in the council line within the financial statements the investments in associates are shown at cost (\$19.5 million). The figures above represent the full value of the Council’s investments and so include the Council’s share of the associate’s equity.

There were a number of key investment highlights during the year:

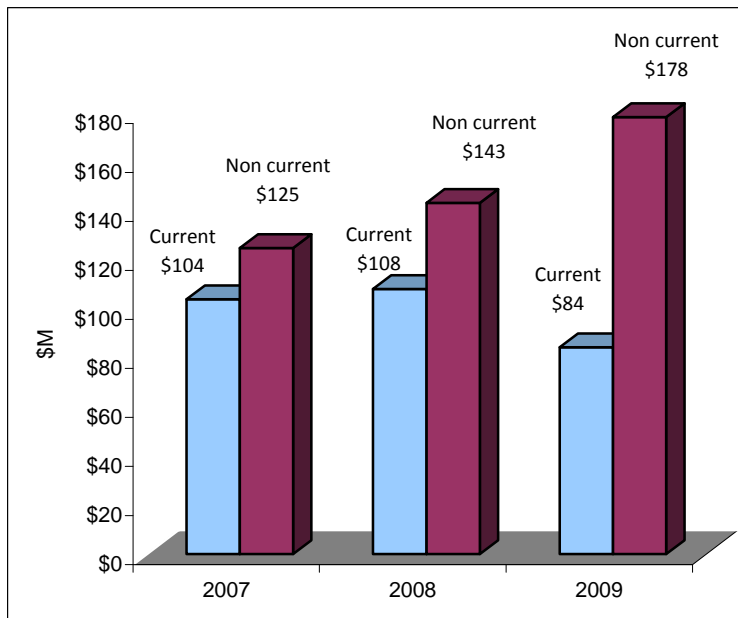
- the Council received \$7.6m in dividends during 2009
- investments increased by 4% during 2009
- 100% of the Wellington City Council investment properties are tenanted at 30 June 2009

**REVIEWING OUR LIABILITIES - WHAT WE OWE**

The Council’s gross borrowings have increased by \$11.3 million to \$262.9 million as at 30 June 2009.

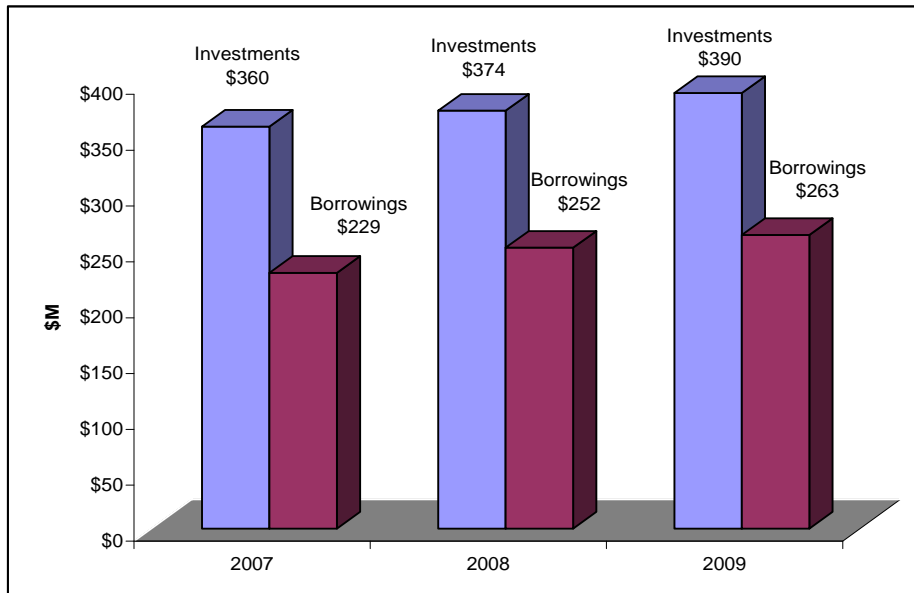
The increase in the Council’s level of borrowings reflects the utilisation of funds to complete the 2008/09 capital expenditure programme. The Council borrows to fund the purchase of new assets that Councillors have approved through the Annual Plan process. A number of bank facilities have been refinanced to longer term bonds during the current year instead of short term bank borrowing.

**BORROWINGS POSITION – THREE YEAR TREND**



The Council continues to maintain a strong investment position when compared to the level of borrowings.

### INVESTMENTS VS. BORROWINGS – THREE YEAR TREND

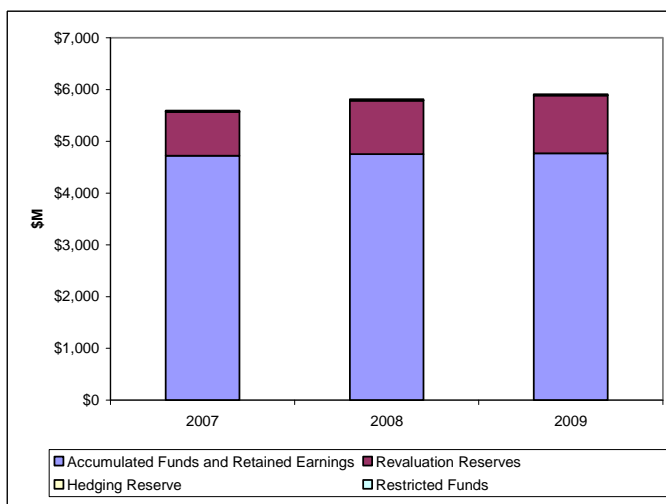


### STATEMENT OF CHANGES IN EQUITY

The Statement of Changes in Equity shows what the community owns minus what the community owes.

Equity is represented by the Council's net worth, that is 'what we own' (total assets of \$6.3 billion) minus 'what we owe' (total liabilities of \$369.6 million). Equity, as at 30 June 2009, was \$5.9 billion – an increase of \$122.8 million since last year. This equates to \$0.03m per resident.

### EQUITY- THREE YEAR TREND





	2007 \$M	2008 \$M	2009 \$M
Accumulated Funds and Retained Earnings	\$4,724	\$4,751	\$4,770
Hedging Reserve	\$5	\$3	\$1
Revaluation Reserves	\$846	\$1,039	\$1,118
Restricted Funds	\$22	\$21	\$18
<b>Total Equity</b>	<b>\$5,597</b>	<b>\$5,814</b>	<b>\$5,907</b>

## GROUP HIGHLIGHTS

The Group covers the Council and its interests in associate and subsidiary entities, including the Wellington International Airport Limited and Council Controlled Organisations such as St James Theatre Trust and Capacity. Refer to Note 34 of the financial statements for the full Group structure diagram.

Highlights for the consolidated Group for the period are as follows:

	2007 \$M	2008 \$M	2009 \$M
Net surplus	\$36	\$35	\$16
Total Assets	\$6,051	\$6,306	\$6,443
Total Liabilities	\$319	\$346	\$375
Total Equity	\$5,732	\$5,960	\$6,068

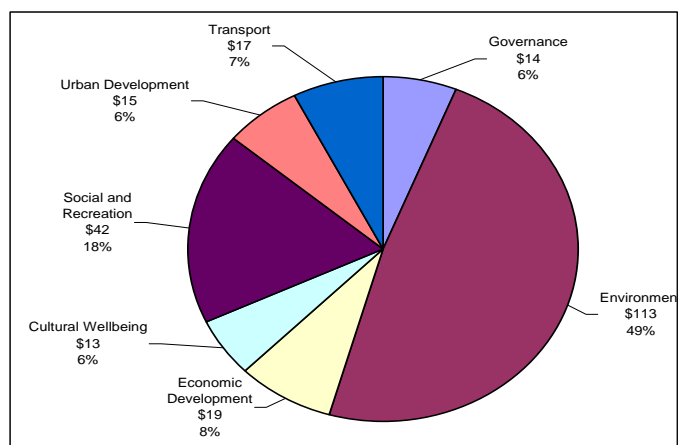
The Group has recorded total comprehensive income of \$108.2m – this includes the Council's share of revaluation movements for Wellington International Airport Limited.

## LOOKING FORWARD

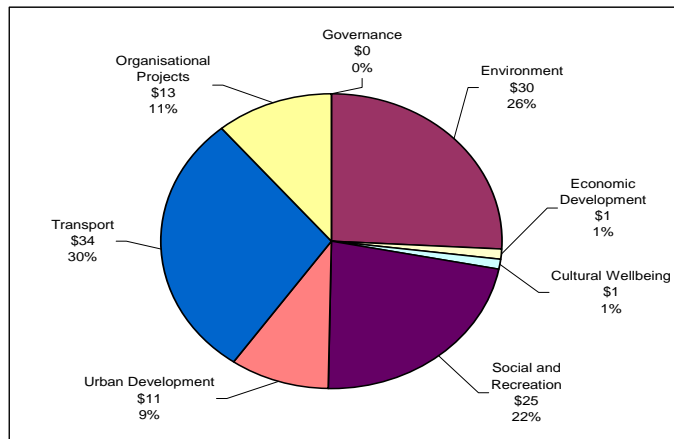
The Council's financial results for the year ended 30 June 2009 reflect the delivery of high quality, cost-effective services and products to the residents of Wellington.

The Long Term Council Community Plan 2009-19 sets out the Council's planned operating and capital expenditure programmes for 2009/10 (and forecasts for subsequent years). The following graphs highlight the Council's spending plans for the 2009/10 financial year.

### FORECAST NET OPERATING EXPENDITURE BY STRATEGIC AREA 2009/10 - \$MILLION



## FORECAST CAPITAL EXPENDITURE BY STRATEGIC AREA 2009/10 - \$MILLION



### GLOSSARY OF FINANCIAL TERMS

**Fair Value** – Essentially reflects the market value of assets or liabilities.

**Vested Assets** – Vested assets are those assets transferred to the Council from a third party. The majority relate to infrastructural assets such as roading, drainage and water assets that have been constructed by developers and transferred to the Council on completion.

**Neil Cherry**

**Chief Financial Officer**